

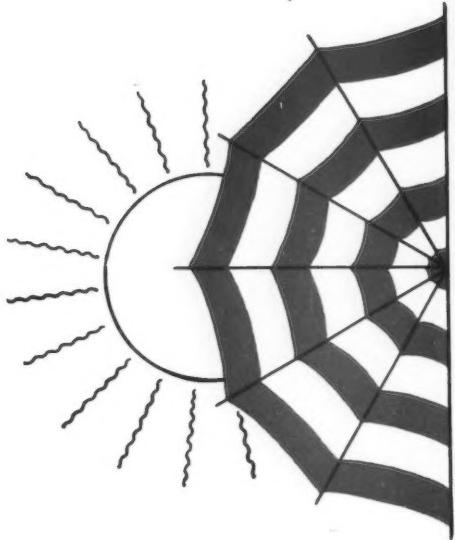
BANKING



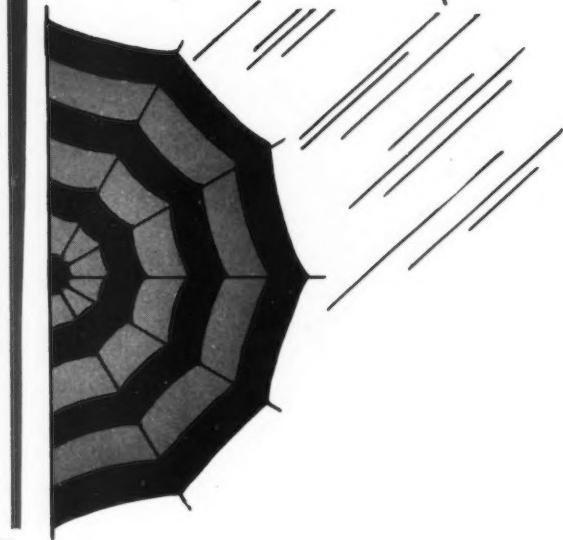
Excess Profits Tax—Impact on Commercial Banks (see pages 3 and 35)

PROTECTION

...against
the expected.



...and the unexpected



A beach umbrella is designed as protection against the sun but it is equally effective in an unexpected rain storm. And—while field warehousing is an accepted method of providing extra funds for business when conditions are normal, it becomes a vital added safeguard if unforeseen financial situations should arise.

There's extra safety for your bank in making field warehouse loans on inventory. And there's added protection in doing business with a field warehouse company that has the experience and integrity of Douglas-Guardian. For more complete information write our nearest office.

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"The Bankers' Field Warehouse Company"



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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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Just a Minute

The Outlook for Loans

IN his article, "Some Factors Influencing Bank Loans," CARLISLE R. DAVIS, vice-president of the State-Planters Bank and Trust Company, Richmond, points to the change in business management's attitude toward the outlook in the past year or so. Fear of all-out war and of inflation has diminished; the international situation is still explosive, but the fact that war has been avoided has influenced the thinking of businessmen. As for inflation, "today we are thinking mostly in terms of the conditions we will face some years hence."

On the whole, MR. DAVIS, who is a member of the A.B.A.'s Credit Policy Commission, says "it would appear that we can expect no great change in our loan volume" for the balance of 1952. However, more and more "soft spots"—loans needing attention and care—are likely. "Per-

haps, as far as our loans are concerned, we may be more vulnerable today than we have been at any time since 1933." MR. DAVIS gives several reasons for this opinion.

His article is on page 45.

Doghouse

KNOWING BANKING's fondness for the little human interest stories that crop up in banks—particularly country banks—LEWIS C. PACE, vice-president of The First National Bank of Clarksville, Tennessee, sent us this one:

"Mr. Pace," said a customer, "my sister has a Boston terrier show dog up at Louisville. He has taken all kinds of prizes, but now she wants to bring him home. However, she must first build a small house for him in the yard. It will cost about \$100 and she wanted me to try and borrow the money from you for 60 days in her name."



"She's all yours. My vacation begins tomorrow!"

Postscript by Mr. P.: "We made the loan."

Postscript by BANKING: We know of a cheaper doghouse.

Management Reserves

ADDRESSING New York Chapter, American Institute of Banking, WILLIAM A. LYON, superintendent of banks of New York State, had something to say on the subject of future management.

"More and more small and medium-sized banks," he told the chap-

THIS MONTH'S COVER (see p. 35)

A meeting of the American Bankers Association Special Committee on Excess Profits Tax, held in the Association's Washington office on June 4. Seated, clockwise, starting at extreme left: D. E. Brumbaugh, president, First National Bank, Claysburg, Pennsylvania; Rudolph E. Reichert, president, Ann Arbor (Mich.) Bank, and chairman of the A.B.A. Committee on Federal Legislation; Lee P. Miller, president, Citizens Fidelity Bank & Trust Company, Louisville, Kentucky, and chairman of the Subcommittee on Taxation; Harold V. Amberg, vice-president, First National Bank of Chicago; Rowland R. Hughes, vice-president, The National City Bank of New York, and chairman of the Special Committee; Burton P. Allen, president, First National Bank of Milaca, Minnesota; Charles Z. Meyer, comptroller, First National Bank of Chicago; and Henry T. Bodman, general vice-president, National Bank of Detroit. Standing, left to right: Marshall B. Hall, president, Trust Company of Georgia, Atlanta; Carl G. McCraw, president, Union National Bank, Charlotte, North Carolina; J. O. Brott, general counsel,



A.B.A.; Clarence H. Lichtfeldt, comptroller, First Wisconsin National Bank, Milwaukee (substituting for William Taylor, president of the same bank); and Henry M. Sommers, A.B.A. assistant general counsel. Absent: Sidney B. Congdon, president, The National City Bank of Cleveland; Herbert H. Cooley, vice-president and cashier, Round Hill (Va.) National Bank; and Ottmar A. Waldow, vice-president and comptroller, National Bank of Detroit. The pictures on the wall are of past presidents of the Association

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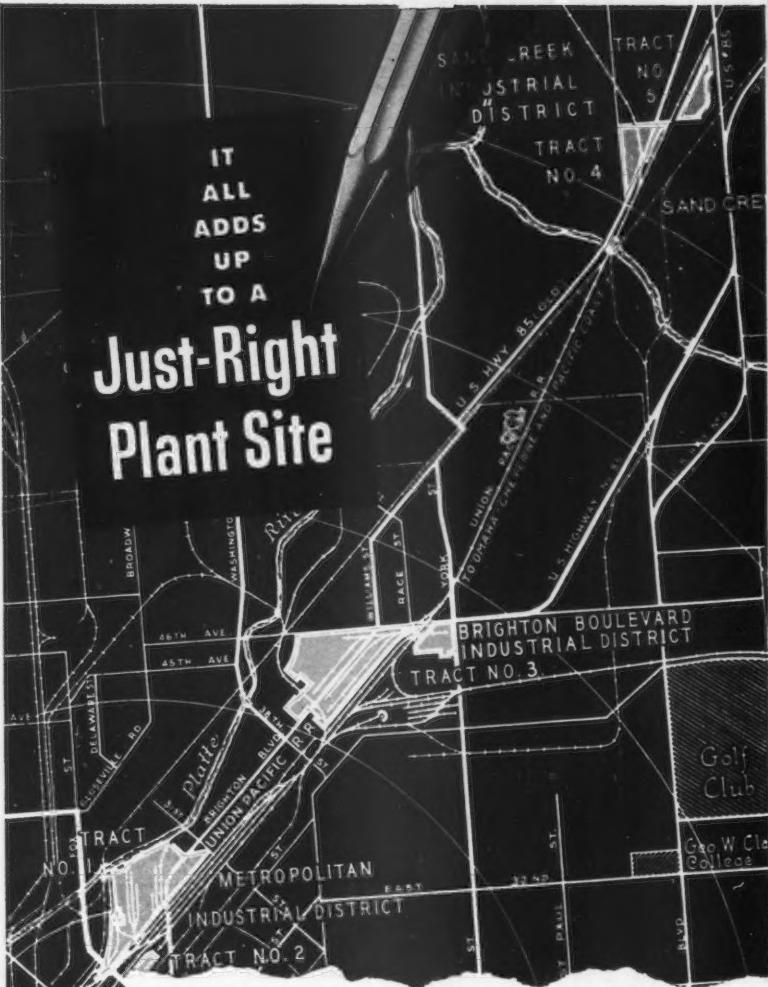
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July 1952

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TO A

Just-Right Plant Site



A healthful, invigorating climate; a population well over 400,000; an adequate supply of labor; power in abundance; trade territories that include some ten states—here indeed is a city in which plant operators may find it advantageous to locate.

Recognized as the Industrial Capital of a vast area, the city now has some two dozen major industries and an impressive number of wholesalers. The supply of coal for low cost fuel is almost inexhaustible, good water is plentiful, near by are rich mineral resources.

There's this to add: Culturally and educationally the city ranks high; recreationally it is a national favorite; transportationally

it is served by seven railroads. A leader among them is the UNION PACIFIC, which provides a freight and passenger service you will like.

Question: Why not write for detailed information about available industrial sites? Union Pacific has a number of tracts that have just about everything industry needs. Address Industrial Development Dept., Room 225, Union Pacific Railroad, Omaha 2, Neb.

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PACIFIC
RAILROAD

UNION PACIFIC RAILROAD

ter's graduating class, "are permitting their separate identities to disappear through failure to come up with new hands to which the scepter of management can pass."

Bank directors, he continued, must create replacement programs extending to the top.

"I should say that it is as much a part of the responsibility and obligation of a bank's board of directors to build up management reserves as it is to establish and maintain a loss reserve for assets."

What Banking Requires

ROBERT N. HILKERT, vice-president of the Philadelphia Federal Reserve Bank, had something to say along the same line at the annual discussion meeting sponsored by The First National Bank of Philadelphia.

Banks, he asserted, are not doing their best job in attracting the men who will be needed "so desperately" as tomorrow's leaders. Managerial positions are opening rapidly, and the problem is to develop men who can fill them capably. Banks need people with good general educations, special training, resourcefulness, and human understanding.

"More important," added MR. HILKERT, "is that banking requires men who have high ethical standards and unusual sensitivity to questions of right and wrong."

"Vacation Fantasy"

GRAHAM HUNTER's cartoon, "Vacation Fantasy," in our June issue, is circulating beyond BANKING's family.

Requests to reprint it were re-
(CONTINUED ON PAGE 6)

"We're low on change. Run over to the bank and pick up a couple hundred in fives and maybe a roll of quarters"





Any way you look at it

Your telephone is worth far more than it costs.

The cost of a call can be counted in pennies.

The value is often beyond measure.



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"I'm Glad Sikes Got Me Off the HOT SEAT..."



Enjoy the "air-conditioned" luxury and restfulness of the Sikes X135 Executive Posture Chair. Its porous foam rubber seat, covered with porous fabric results in cool comfort. This special fabric, in colors that blend with the luxuriously upholstered leather back and arms, allows full play to the foam rubber, has less tendency to shine the sitter's clothes and its durability is comparable to leather. Sikes also gives you exclusive "Energized Seating" . . . a new experience in SITABILITY. Ask your Sikes dealer to show you how you can get off the hot seat this summer with the X135. Write for name of nearby dealer.



The SIKES Company, Inc.

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X 135

ONLY TWENTY-FIVE MINUTES FROM BROADWAY

To paraphrase the title of an old song, with due allowance for swifter transportation, we are pleased to announce that our new manufacturing plant now being erected in Clifton, New Jersey, while only a few minutes from the Big City, will be far removed from its noise and confusion and will provide pleasant and adequate space for DeLuxe people.

Comes October, we hope to move our combined Manhattan and Newark operations into this sparkling new Clifton plant, which will contain fifty-three thousand square feet; all on one floor, and which from a standpoint of quality will be on a par with our other plants. Quite aside from the advantages of working under peaceful and enjoyable conditions will be the very practical advantage of more efficient manufacturing operations, and we are looking forward to the move with keen anticipation.

With the completion of our Clifton plant we will have finished the building

program planned in 1945. The Kansas City plant was the first new unit to be occupied, followed by the Chicago plant less than a year later. The St. Paul plant was finished in 1949, and the new unit in Paoli, Pennsylvania in 1950. While all of these new plants give us more space, we do not think of them in terms of expansion but simply in terms of improved facilities and more effortless handling of orders.

To avoid giving the impression that we are rolling in wealth, we wish to explain that all our new buildings are owned by the Prudential Insurance Company of America and are occupied by us under forty-year leases. We have no money to invest in brick and mortar, and in fact have scarcely enough remaining after taxes to keep pace with our machinery needs although, to date at least, we have been able to do so. We invite you to visit our new Clifton plant any time after we move in.



Manufacturing Plants at:

NEW YORK, PAOLI, CLEVELAND, CHICAGO, KANSAS CITY, ST. PAUL

(CONTINUED FROM PAGE 4)

ceived from the General Electric Credit Corporation, New York City, and The American National Bank of Saint Paul. Both wanted to use the drawing in their employee publications.

Better Letters

FEW BANKING features in recent years have attracted wider interest than WILLIAM H. BUTTERFIELD's current series on business letter-writing.

As you probably know, readers are invited to send in their own letters for analysis and criticism by this expert, and many are taking advantage of the opportunity.

The importance of presenting your thoughts accurately, clearly, and simply on paper was the general subject of a recent edition of the *Monthly Letter* issued by The Royal Bank of Canada.

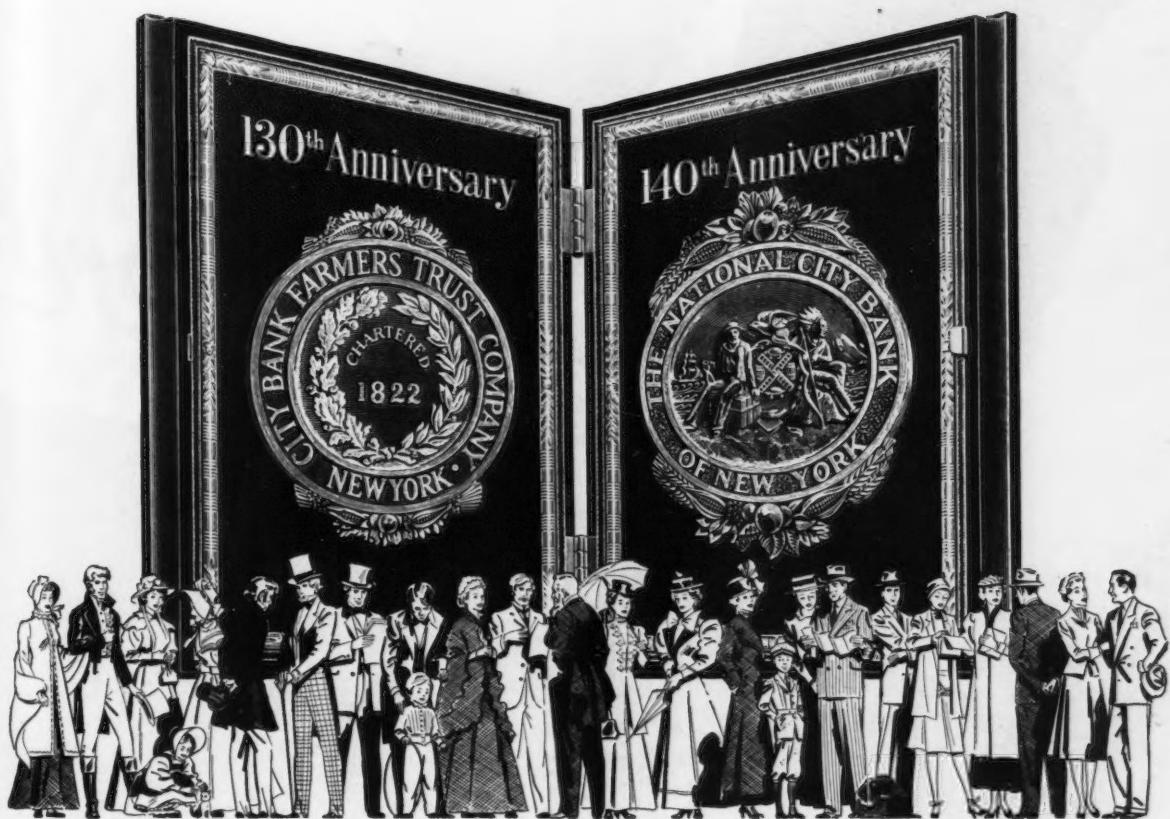
"In the writing of business letters," said this publication, "it is essential that we study our market, the people who make it up, their likes and dislikes, their desires and demands—and then write to them in the words they want, in phrases they understand. . . .

"The heavenly twins of better communication could well be named Simplicity and Clarity. . . . Clear, straight thinking must be behind the words we use. If you understand the proposition well, then your natural tendency will be to explain it in understandable terms. Thinking and wording cannot be dealt with separately, for they are cause and effect. . . .

(CONTINUED ON PAGE 11)

"What do you know? Bank-door Johnnies!"





You learn a lot about people from 140 years of banking

You learn respect for people's courage—for the magnificent way they have faced up to every national crisis and brought the nation through stronger than ever. (The War of 1812 started two days after our Bank was chartered on June 16, 1812, and we have served our country through every war and depression since.)

You get a sense of people's inter-dependence—from long experience with the mutual benefits of foreign trade. (Our Foreign Department started in 1897. Today we have 56 Branches overseas.)

You appreciate the value of neighborliness. City Bank started as a small-town bank, with a neighborly knowledge of the problems and needs of its customers. You'll find this same friendly spirit today in our 67 neighborhood Branches in Greater New York.

You get proof of people's honesty—from lending over two billion dollars in small loans through the first Personal Credit Department for small borrowers established by a big bank.

You gain confidence for the future—The American people have the qualities of mind and soul to deal with whatever tests may lie ahead.

It is our hope that The National City Bank of New York and the City Bank Farmers Trust Company may continue to deserve the people's trust, and keep on playing their part in the development of our country.

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First in World Wide Banking

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them
smar
recor

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Modern, high-speed Bell & Howell recorder offers many cost-saving features that make obsolete most microfilming equipment now in use.

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'why it costs less to buy Burroughs!

Total up your past and future rental costs and compare them with the advantageous purchase price of the smart, up-to-the-minute Bell & Howell microfilm recorder sold by Burroughs.

Figure in the savings in film cost that are provided by 8-mm photography on 16-mm film—at the highest reduction ratio available. Then add the savings in labor cost that are provided by high-speed automatic feeding, simplified hand feeding, and other modern

time-saving features of the Bell & Howell Recorder. The result clearly shows why Burroughs Microfilming quickly pays for itself—why so many, many people are saying, "Burroughs Microfilming is *best* for us!"

You don't have to wait to start saving with Burroughs Microfilming. New Bell & Howell equipment is available for immediate delivery and installation. Call your Burroughs man today. Burroughs Adding Machine Company, Detroit 32, Michigan.

In Canada: Burroughs Adding Machine of Canada, Limited, Windsor, Ontario

WHEREVER THERE'S BUSINESS THERE'S

Burroughs



Fast, Expert Service—For All Your Microfilming Needs



612 SERVICE CENTERS—

There's a Burroughs Service Center near you—staffed by highly skilled servicemen who have been specially trained to assure trouble-free operation and long life for your Bell & Howell equipment.



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Burroughs Processing Stations are strategically located throughout the country. Here experienced technicians assure immediate processing of your microfilm — with maximum brilliance and clarity of image.



aid for your banking problems

How can we help *you*?

Whatever your need, whatever service you require, you can be sure the officers and staff of Division F at The First National Bank of Chicago will give your problem prompt, and effective personal attention.

Under our unique divisional organization, the men of Division F specialize exclusively in serving our correspondent banks. They know *your* business. In addition they are in constant touch with officers of the other divisions who are thoroughly familiar with the activities and problems of the specific industries and businesses they serve. Thus Division F can give you specialized service in any field.

And we're expanding! Additional men have been assigned to service our correspondents in every territory. This means frequent, close personal contact . . . even better service than before.

If you are not now a correspondent bank of The First, you are invited to join the large family of banks we already serve.

Call, or write us. We're ready to aid you in any way we can. Learn how you can serve *your customers* better when you let The First National Bank of Chicago serve *you*.

. . . and these are the men
who can help you

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Dearborn, Monroe and Clark Streets

Building with Chicago since 1863

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

(CONTINUED FROM PAGE 6)

"Just as we can't make new friends if we never meet anybody, so with words. To build our vocabulary we must meet new words, and to meet new words we must read—the more the better. The businessman who reads Shakespeare or a comparable author can write better business letters than the man whose sole diet is cheap fiction—and the stenographer who reads Shakespeare will do better letters and be more of a participant in the business than the stenographer whose only literary food is chit-chat."

"Register and Vote!"

THE American Heritage Foundation, which sponsored the Freedom Train, is currently engaged in what it believes to be the largest "Register and Vote" drive ever undertaken by a nonpartisan organization.

The goal is to bring 63,000,000 voters to the polls in November—15,000,000 more than voted in 1948. The Foundation sees the national election as an opportunity to "dramatize the power and value of each individual vote and stir the millions to the more active citizenship the nation needs and the times demand." It wants to get on to the voting rolls 30,000,000 unregistered citizens and to raise "our shameful voting average—perennially less than 50 percent—" thus demonstrating that "the enemies and critics of democracy are wrong in their

"The box itself seems to be all right—but I shall have to know something about my neighbors"



Big Things are Happening in Canada!

How Big?

Big enough to cause Americans to invest more than seven billions in Canada—\$660,000,000 during 1951!

TODAY, Canada is "America's best customer," buying more U. S. products than any other nation in the world.

IN THE PAST TWELVE YEARS, Canada's gross national product has more than tripled. Industrially, she is one of the world's fastest growing countries, and spells "opportunity" for American manufacturers.

Banks and business firms interested in the opportunities offered by this growing country are invited to call on The Royal Bank of Canada. With more than 700 branches from coast to coast, we can offer vital information on specific areas...complete banking facilities...and many services outside the realm of routine banking.

Over 760 branches in Canada, the West Indies, Central and South America; New York, London and Paris.

NEW YORK AGENCY: 68 William St., N. Y. 5

THE ROYAL BANK OF CANADA

"A Big Bank Serving A Big Country"

HEAD OFFICE: MONTREAL

TOTAL ASSETS EXCEED \$2,500,000,000

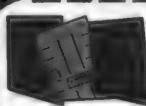


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Made of stock that is 10% to 30% stronger hence afford greater protection from breakage if dropped or roughly handled. Indicia, figures and letters printed in colors for triple designation and greater speed in handling.



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Rainbow COIN WRAPPERS

The color enables Teller to identify denomination of contents instantly... red for pennies, blue for nickels, green for dimes, orange for quarters, yellow for halves, grey for dollars, prevents transposition. Indicia also designed by figures. Strong, and with tapered edges. Save time!

FLAT STYLE

TENSILE STRENGTH OF 60 LBS!

'STEEL-STRONG'



FEDERAL BILL STRAPS

So extra strong, made of quality Kraft paper with a breaking strength of 60 lbs. per square inch... they protect longer. Normal and reverse figures, with color (11) for each denomination, instantly reveal value of package no matter in what position. Superior to use in every way.

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TOUGH!

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SEND FOR FREE SAMPLES

The G. L. DOWNEY CO.
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Send Sample of _____

NAME _____
ADDRESS _____

favorite argument that democracy is a failure because the hard-won right to self-government is not highly valued and regularly used."

The plan is to encourage every nonpartisan organization to run its own campaign and to stimulate citizens to form groups for "get out the vote" drives.

The Foundation whose headquarters is at 25 West 45th Street, New York 16, N. Y., also calls attention to its booklet, *Good Citizen*, which sets forth simply the rights, duties and responsibilities (including voting) of all citizens. More than 2,500,000 copies of the little publication have been sold. Many business organizations, including several banks, have distributed it to their employees.

"*Good Citizen*," says WINTHROP W. ALDRICH, chairman of The Chase National Bank, New York, and chairman of the Foundation, "covers all the basic rights and duties of American citizens. As far as I know, this information has never before been put together in such compact and readable form."

JAMES G. BLAINE, president of the Marine Midland Trust Company, New York, is treasurer of the Foundation.

Carver-Washington Coin

THE Carver-Washington Americanism Commission is requesting the assistance of banks in the sale of the commemorative half-dollars hon-



"Junior, I told you not to put your head in there!"

oring George Washington Carver and Booker T. Washington. The coins are being sold for \$2; the premium will be used by the Booker T. Washington Birthplace Memorial and the George Washington Carver National Monument Foundation to "oppose the spread of communism among Negroes in the interest of national defense."

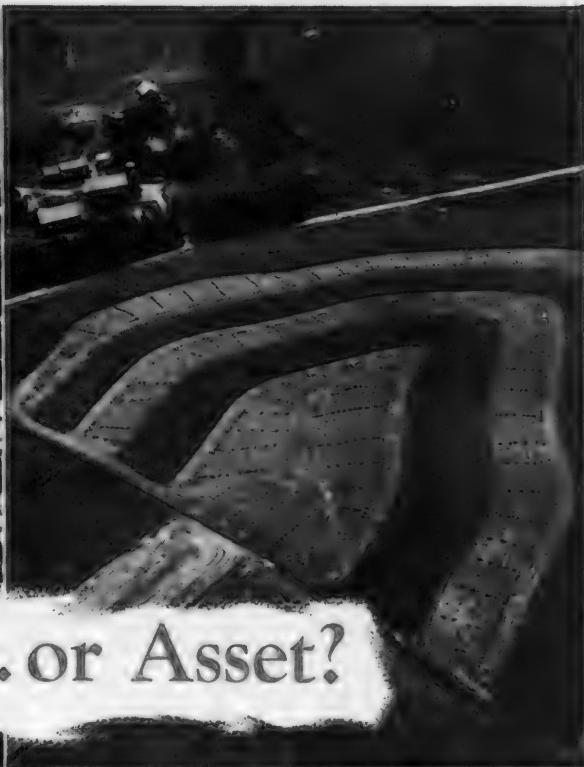
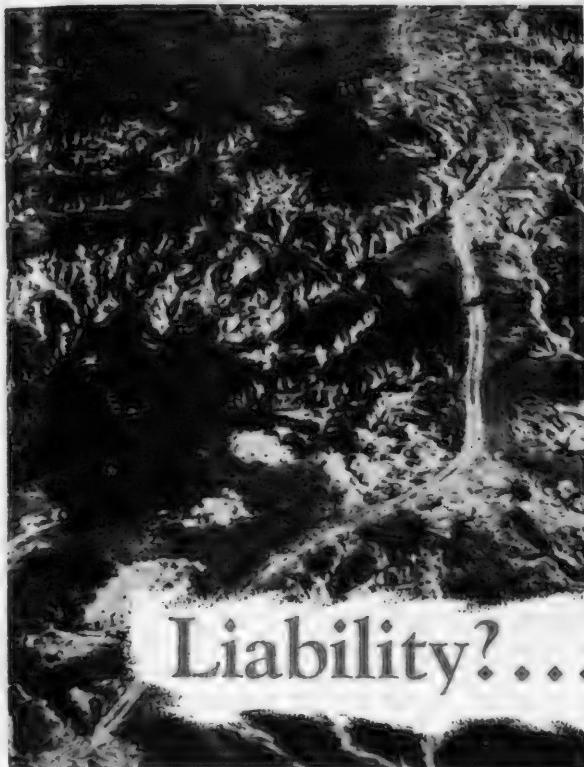
WILLIAM T. WILSON, secretary of the A.B.A. State Association Section, has called the attention of the state bankers association secretaries to the sale. The commission, he said, hopes these officers will assist the cause by reminding member banks of the project and suggesting their participation.

An example of bank participation in the program comes from Cambridge, Ohio, where four banks sponsored a display ad featuring the coins.

The half-dollars are being supplied by the Federal Reserve banks.

"The baker gives me cookies, the grocer gives me gumdrops, and the butcher gives me hunks of baloney"





Liability?...or Asset?

GOOD SOIL CONSERVATION MADE THE DIFFERENCE

These two farms were much the same a few years ago . . . look at them now. The one remains high in value, yielding abundant crops. The other is a liability . . . and only a few years away from being a complete wasteland.

Treating each acre according to its need, with grass waterways, contour furrows, terraces, small dams and ponds — plus the right cropping system, will help our land remain productive, our farm income stable.

Wise agricultural leaders have taken

action. Throughout the U. S. are more than 2,500 Soil Conservation Districts, each a grass-roots organization of American farmers with good, old-fashioned local initiative and control.

These groups deserve your support, both as a banker and community leader. They are building a sound future for farm income — a solid foundation for your community. They need your cooperation, financial advice and understanding to develop a progressive soil conservation program in your area.

ALLIS-CHALMERS
TRACTOR DIVISION • MILWAUKEE 1, WISCONSIN

Here, an Allis-Chalmers HD-5 Tractor dozes out a farm pond on an East Texas ranch. For this and similar jobs, the all-new line of A-C equipment offers greater efficiency for low cost on all soil conservation work.





CORRESPONDENT ACCOUNT COVERS CALIFORNIA

One account with Bank of America (in either Los Angeles or San Francisco) gives you direct routing throughout the state—enabling you to send your items direct to more than 300 communities.

This time-saving service is made possible in California by Bank of America's state-wide system of branch banking.



Bank of America
Travelers Cheques

are known and honored throughout the world. Sell them to your customers.

Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION

MEMBER FEDERAL DEPOSIT
INSURANCE CORPORATION



AT the dinner meeting of our American Institute of Banking class in Eustis the other night, we learned of a very versatile banker, one Ray L. Coon, assistant cashier of the Citizens Bank of Clermont. Mr. Coon is not only a member in good standing and a vice-president of the Lake-Sumter A. I. B. Chapter, but a dress designer and a maker of useful gadgets. At the dinner party his charming wife, who is employed by the same bank and belongs to the Chapter, appeared in a handsome gown which her husband had de-



signed and assisted in assembling. Not only that, when difficulties were encountered in "hanging" the bouffant skirt, he came up with a home-made "skirt-hanger," which chalked the hem-line in absolutely perfect fashion. What a man!

FLUSTERED and somewhat red in the face, the little man came into the office of the loaning officer. He hemmed and hawed a bit before he got down to telling his troubles. From his pocket he drew a folder advertising "home improvement loans," which had been distributed by our bank, and said, "This here leaflet came to me in the mail a couple of days ago, and I thought

maybe I could get some money here."

"Well, we make a great many loans of this type at our bank," said the vice-president, "and very likely we can help you. Just what did you have in mind?"

"I been having a lot of trouble at home lately," said the customer. "We bought too big of a house is the whole trouble."

"And you want to borrow money to finish fixing it up in good shape?" suggested the officer.

"Well, yes, in a way," responded the customer, settling back in his chair. "You see, when we moved into that big house, my wife's mother and her youngest sister came to live with us, because we had lots of room. And then a couple of weeks ago her brother Joe lost his job up in the north part of the state, and he and his wife and their three children came to live with us, too. Joe said he figured there was no sense in spending what little money he had for rent when we had so much room. Now, my wife, she thinks it's all right, but it ain't all right with me. Why, just buying the groceries for all that crew takes every cent I can make, and besides that, my wife takes their part about everything and she and I don't get along like we used to. We had a right-down fuss about it last night, and seems like we come to the parting of the ways."

"So what I'd like to do, Mister, is to borrow the money from the bank to get a divorce. I been thinking it over, and it appears to me a divorce ought to come under the say-so of this loan department. Because, if I can get a divorce and there ain't no more money coming in from me to buy the things they want, all those folks will



have to move out and do their own scratching—and that sure will be the biggest kind of a home improvement!"

BELLE S. HAMILTON

BANKING

*An early iron forge*

**THE
IRONMASTERS
OF
Ringwood**

FROM the mines of Ringwood in northern New Jersey came iron for every American war from the Revolution through the first World War, and some of the country's ablest ironmasters made Ringwood Manor their home. The detailed history of the mines begins in 1764 with the colorful Peter Hasenclever who reputedly employed servants to carry his wife's train and a band to serenade him while he dined. Under his management Ringwood became an important part of the first large-scale development of the iron industry in this country.

Robert Erskine, a later ironmaster, organized a company of militia to protect the iron works when the Revolution started and supplied the continental army with iron in various forms. His most outstanding contribution to the cause was his work as official mapmaker to the army for which post he was recommended by Washington. Associated with Ringwood during Erskine's incumbency were several devices with which attempts were made to prevent the British from coming up the Hudson. Iron

*Laying the West Point chain across the Hudson River*

for the first chain used to obstruct that waterway came from Ringwood, and it is believed that some of the iron for the West Point chain, the only successful obstruction, was a product of the Ringwood mines.

Ringwood's most celebrated proprietor was Peter Cooper who bought the property in 1853, the year The Home was founded. A man of many talents, he built the famous locomotive Tom Thumb, promoted the first transatlantic cable with Cyrus W. Field, and was a Greenback candidate for President. His partner and son-in-law, Abram S. Hewitt, last of Ringwood's ironmasters, served several terms in Congress and was mayor of New York.

The manor house was built by ironmaster Martin Ryerson after an earlier dwelling was destroyed, probably by fire, in 1807. Now owned by the State of New Jersey, it is open to the public as a museum and contains many items of interest formerly owned by the celebrated Cooper and Hewitt families.

★ **THE HOME** ★
Insurance Company

The Home, through its agents and brokers, is America's leading insurance protector of American homes and the homes of American industry.

The Home Indemnity Company, an affiliate, writes Casualty Insurance, Fidelity and Surety Bonds

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QUESTION: What Are the Economic

Economy, Taxes, Stabilization

JOHN J. SPARKMAN

Senator Sparkman, a Democrat from Alabama, is a member of the Banking and Currency and the Foreign Relations committees, and is chairman of the Select Committee on Small Business

STARTING with the national conventions in July, America will become a vast debating society, with the chief economic topics being economy in Government, high taxes, and the economic stabilization program.

Since most emotional campaign oratory befogs rather than clarifies basic issues, voters will have to discount mere partisan rhetoric and face the blunt fact that a decade of international tensions and heavy defense spending confronts this nation.

Acceptance of this realistic premise carries its own answer to the cut-to-the-bone thrift advocates, those who believe pre-World War II tax rates can pay today's defense bill, and those who cry that price, wage, credit, and material controls are dooming our democracy.

America cannot fight a hot war in Korea and wage a global cold war against Communism without spending money and without guiding our economy with minimum regulation.

Briefly, let us try to forecast some typical election year points of view.

Point: The Government is recklessly piling up deficits and encouraging waste.

Counterpoint: While Federal spending in fiscal 1953 is estimated at \$85.4-billion, more than three-fourths of this sum will go for major national security programs, such as military services, atomic energy, and international security. Setting aside funds earmarked to pay for present and past wars, including interest and veterans' programs, we

find all other programs of Government taking but 11.6 percent of the total fiscal 1953 budget.

Too few critics of Federal spending realize that the money to run the regular peacetime activities of Government (other than major national security programs) will be \$2-billion less in fiscal 1953 than in fiscal 1950.

Constant and often successful efforts are being made to trim non-essential expenditures. Meanwhile, we must not risk having the fruits of near-sighted frugality leave us with the bitter taste of unpreparedness and of possible defeat at the hands of an aggressor.

Point: Taxes are confiscatory, are stifling initiative, and are retarding our productive capacity.

Senator Sparkman



Counterpoint: Admittedly taxes are high. The continued stability of our economy, however, demands that our defense program stay as closely as possible on a pay-as-you-go basis. There are no serious indications that the nation cannot absorb present tax rates. The general economic position in the first quarter was one of expansion. The gross national product reached an all-time high annual rate of \$339½-billion. Personal income also attained a record annual rate of \$258-billion. It is also significant that during the past year the American people have been able to save money at unusually high rates. Last year for the first time, moreover, 27 corporations topped a billion dollars gross. These are just a few of the signs that demonstrate we can move forward under present Federal tax rates.

Point: Controls on credit, prices, wages, and materials are no longer necessary and are being retained to perpetuate bureaucracy.

Counterpoint: Expectations are that the June consumer price index will show the cost of living at a record-breaking level. High costs are also hitting the farmer as well as the housewife. In mid-April, prices paid by farmers stood more than 13 percent above those of June 1950.

We have, nonetheless, checked the surging inflation which threatened to engulf us in the first six months after Korea. Checked—but the menace of a break-away is ever and, some think, ominously present. Now is clearly not the time to demolish the stabilizing mechanisms upon which the purchasing power of the dollar depends.

To see these issues clearly and to sense their underlying realities leads to the belief that for the past two years the Government has taken a common sense approach to the complex problems inherent in the emergency which faces the nation.

Issues of This Election Year?

Free Competition, Home Strength, Spending, Taxes

ISSUES in a political campaign are never exclusively political or economic. They are almost invariably a mixture of political, economic, social, and moral considerations.

Perhaps the most challenging issue before us today is the salvation and restoration of a free competitive system. Ours is a vast system for producing and distributing goods and services, in which the economic decisions are made in a free market. Once that system at any point comes under bureaucratic control, it is no longer free. Today we have allocation of and priorities on materials, wage, price, and rent controls, restrictions on imports and exports, and other rigidities imposed by law. In the shadow stands the Brannan Plan, for entralling the farmer, compulsory health insurance for controlling the healing arts. Despite the scoffers and cynics, progress toward the socialization of America is all too rapid and the trend can be reversed only by heroic action and by a change of Administration. The point should be emphasized that control is the essence of socialism and a country can be socialized without actually taking over its productive facilities.

While the inflationary threat is for the moment receding with the application of common sense, the problem of inflation and deflation is not only imperative but becomes an issue. The Administration has been dealing with symptoms rather than causes and in so doing has dislocated business, piled one inequity upon another, caused untold needless expense, and administered a deadening narcotic to basic human incentives. The one creditable way of dealing with inflation, namely, retrenchment in spending and re-

strictions on unsound credit, have been virtually ignored. Instead, the nation is clamped in a straitjacket. This whole fallacious approach needs complete reappraisal and there must be a new and fundamental approach.

A nation is only half solvent when it spends beyond its capacity, incurs deficits year after year, and hikes the individual tax burden 20 times in the space of 20 years. This policy of relying upon spending for the cure of every ill at home and abroad has diminished the value of the dollar, impaired the purchasing value of insurance policies, bonds and other evidences of value which millions of people hold today, and has generated dangers which are an open invitation to more control.

The restoration of strength to the home front is one of the challenging issues in 1952. We must put

EVERETT M. DIRKSEN
Senator Dirksen, a Republican from Illinois, is a member of the Banking and Currency Committee

aside the strange doctrine that our strength and our security repose in weapons alone. The wills of free men are much stronger than steel, and it is this reservoir of will which is our secret weapon. It is, in fact, a kind of spiritual atom whose power is immeasurable and is unavailable to Stalin and the hostile forces abroad. Home front strength is the second punch and is the one deterrent force for which the whole world has respect. That strength derives from free and productive economy, administered and operated not by a bureaucracy under rules and regulations, decrees and ukases, but by free men working in a free market where rewards and human incentive still are spark plugs to ever increasing standards of living.

Burdensome taxes are at issue as never before and largely so because the moral effect of crushing taxation is becoming more and more evident at every level of our society, whether it apply to the individual or to business and industry. This tax burden will grow like an economic cancer. A kind of quiet desperation and frustration is also manifest in every section of the country because our people are beginning to sense that this tax burden will become progressively more onerous as the spending sights are set higher and higher. What present tax rates amount to is a gradual socialization of the people's income. How can it otherwise be evaluated when one thinks of it in terms of siphoning from the pockets of the people an increasing number of dollars to be spent by government not only for security, but for a host of other purposes in line with growing paternalism? It can only be checked when spending is reduced to manageable proportions.

Senator Dirksen



How to Think of Headlines

for Bank Ads or Sales Letters

IVOR A. TRAPOLIN

The author is a business consultant in sales techniques and business communications, and a lecturer on the latter subject at Loyola University of the South and in the American Institute of Banking. An attorney-at-law, he is also owner of a real estate management business. He has written a number of articles on industry-education cooperation and is active in the civic affairs of his home city, New Orleans.

ONE of the tough problems for bankers is how to develop creative thinking in the midst of everyday humdrum routine.

To help solve this problem, an interesting assignment was given to the bankers taking a course in business communication at the American Institute of Banking in New Orleans. They were asked to write nine short sentences or ideas that could be used as headlines for bank ads or for sales letters. The subject matter was, of course, their bank. The appeals they used were the hardy perennials—fear, hunger, sex, rage, sight, touch, smell, hearing, and taste.

Here are some of the best headlines submitted:

Fear

You will be pleased—not alarmed—with our interest rates.
Fire can't destroy your valuables.
When sickness comes—that savings account will ease your ills.
Pay by check and stop worrying.
Avoid the panic of a rainy day.
The FDIC guarantees deposits up to \$10,000.

Hunger

If you're hungry for kindness, it can be found here.
Saving regularly is as important as eating regularly.

Sex

He will adore you for that set of golf clubs. Start that Xmas savings account today.

Rage

No careless errors to contend with.
It's all the rage—Personal Loans!
Pay by check and have proof.
Don't fume and fuss when told your bill isn't paid.
No standing in line.
No waiting.

Sight

The bank looks friendly.
The bank even looks friendly.
You'll like us at first sight.
Seeing is believing. Our statements to you each month will be proof enough.
See how easy it is to make one of our personal loans.
Our motto is service. See for yourself.
A nice balance in a savings account is mighty pleasing to the eye.
Watch your money grow.

Touch

Personal contact makes customers welcome.
The service can almost be felt.
Bank information at your finger tips.
Build your account now, so luxuries will always be in your reach.
You'll never seek a handout if you start that account today.
Our service is as smooth as silk.

Smell

When you smell trouble brewing, a loan from us will clear it up.
You can smell a sense of satisfaction as soon as you enter the bank.

Hearing

We like to talk to our customers.
Our customers like to talk to us.
Listen to what the crows are saying:
"Go to the X Bank for a loan!"
Our Official Staff is always ready to lend an attentive ear to your troubles.
We are always ready to lend an ear.
You have heard about our service.
Now try it.
Our customers say, we satisfy.
Our answer to your request for a loan will be like music to your ear.

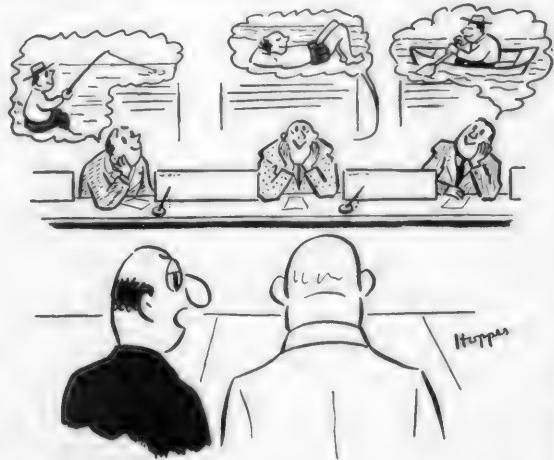
Taste

Service that leaves a fine taste of friendliness.
Loans to suit your taste.
We will be a sad sack if you leave our bank with a bad taste in your mouth.
Our service is comparable to a banquet. It's swell.
You'll never leave us with a bad taste in your mouth.
Your name imprinted on a personalized check shows good taste.

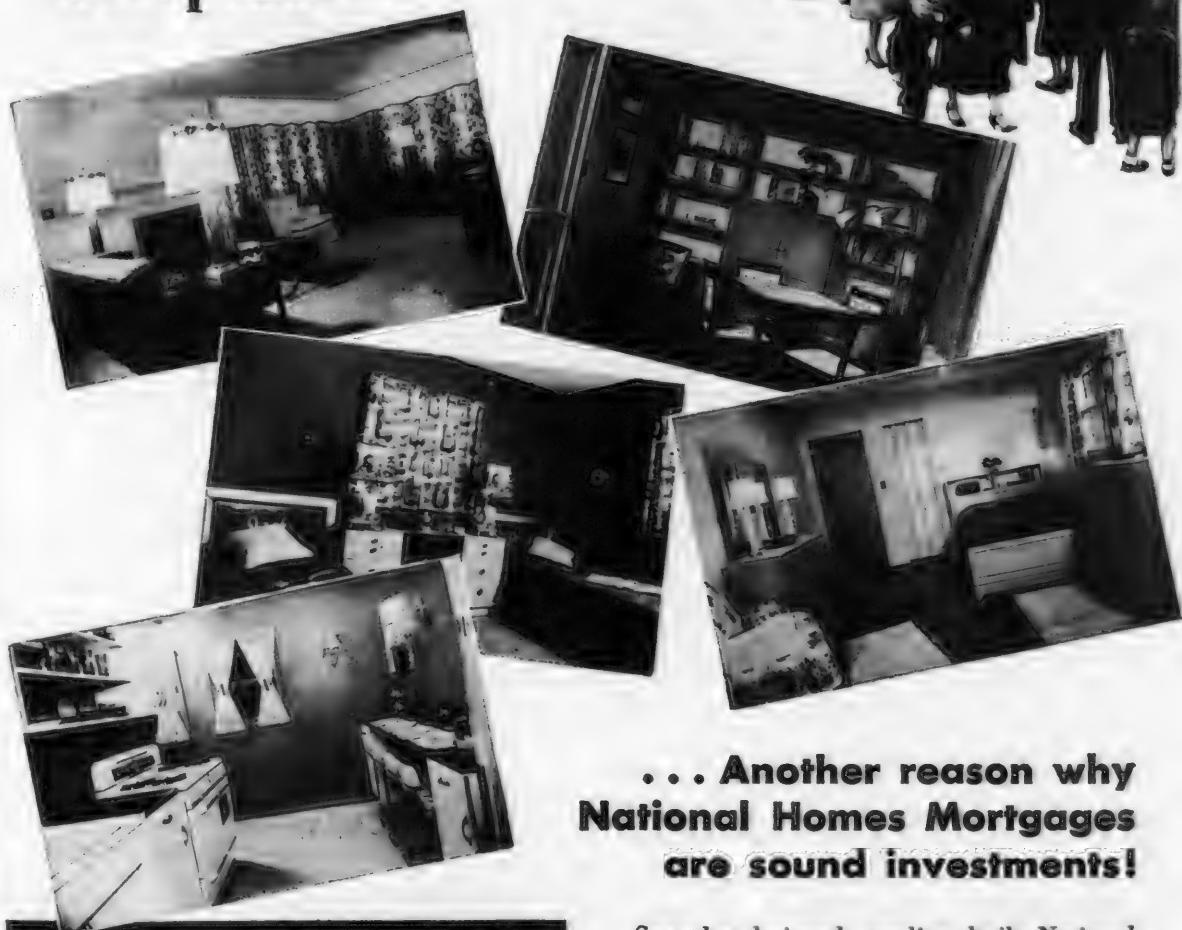
It's a good idea to keep these nine basic words on your desk. They will aid you in getting the right idea. You won't necessarily use the first thought that you have in connection with one of these basic ideas. But it will help you to start the ball rolling.

Try it today.

"After this let's not release the vacation schedule until time for them to begin."



INSIDE as well as Outside
**Nationals LEAD
in Public
Acceptance!**



**... Another reason why
National Homes Mortgages
are sound investments!**

Smartly - designed, quality - built National Homes financed today will be good, sound income producers for years to come.



"*National Homes prefabricated panels and structural parts are commended by Parents' Magazine as advertised therein.*" And recommended by 38,000 delighted owners.



**NATION'S LARGEST PRODUCERS OF
QUALITY HOMES AT THRIFT PRICES**

Air Express!

THE strike of armored car crews which beset Wall Street didn't stop rapid delivery of some important documents during a recent freak June storm.

Lawyers in one of the top floors of the 50-story Irving Trust Company Building at One Wall Street were horrified to see papers sailing out of their office windows with the first sudden gusts of wind.

Ten minutes later came a phone call from a brokerage firm on the 9th floor at 52 Wall Street, two blocks away: "We're glad to say your papers just arrived."

This department is compiled by THEODORE FISCHER of BANKING'S staff.

Distaff Banker

HELEN V. A. DAVIS of the New Brunswick Trust Company is the only woman member of the Half Century Club of the New Jersey Bankers Association—and so far as BANKING knows, may have the longest unbroken record of service of any bank woman.

MISS DAVIS has been with New Brunswick Trust since March 17,

A. J. Goek (right), board chairman of Bank of America, receives the citation of First Award of Ohio University's Institute for Education By Radio, from Everett Laybourne, president of the Los Angeles Ohio State alumni group. The award was for the radio and television show "The Ralph Story Show," sponsored by the bank



1902, its opening day, when she started as secretary to the first president. She's the only living member of the original staff.

After several years MISS DAVIS switched to accounting and has been in charge of mortgage records since mortgages were first granted by the bank. She set up the mortgage record books now in use.

"Going back 50 years," MISS DAVIS tells BANKING, "I remember standing up most of the day—and it was surely a long one. We, of course, had no adding machines, so I had to learn to add long sheets of figures (I kept the general ledger along with all my secretarial work). Our bookkeeping was done with pen and ink—no bookkeeping machines such as the banks are now using. There was a great deal of detail work when the bank was young, but the facts were there when they were needed. I have always been a great believer in keeping all sorts of records and I've just compiled a history in brief of the New Brunswick Trust Company from notes which I have kept through the years."

MISS DAVIS, who was for 15 years the only woman employed by the bank, feels that the banking field is "now more than ever open for new young women recruits."

JESSE H. MITCHELL, founder and president of Industrial Bank of Washington, D. C. (the nation's largest bank owned, operated, and controlled by Negroes), was honored by fellow bankers at a testimonial dinner at the Willard Hotel. In his response to all the encomiums, MR. MITCHELL turned a neat definition. "The simple duty of a banker," he said, "is to draw together the man who needs and the man who has funds."

E. MARTIN LARSEN has been named vice-president and trust officer of Central Bank and Trust Company, Denver, Colorado. He goes to Denver after four years as trust of-

Heard Along



Helen V. A. Davis



E. Martin Larsen

ficer of the First National Bank of Arizona, Phoenix. Previously he was trust officer of the Granite Trust Company of Quincy, Massachusetts, for four years, and before that was trust officer with Bankers Trust Company of New York for 16 years.

SAM R. COX has been named auditor of The Bank of California, N.A., San Francisco. He succeeds the late PAUL H. HOHMAN.

Zimmerman Retires

CHARLES F. ZIMMERMAN retires on July 1 as president of the Bank of Huntington, Pennsylvania. He was secretary of the Pennsylvania Bankers Association from 1921 to 1949, and served on many committees of the American Bankers Association.

Vice-president ROBERT W. FLECK retires at the same time. He and MR. ZIMMERMAN were tendered a dinner by directors, fellow officers, and employees at which both were honored for 50 years of service to banking.

New officers of Philadelphia Chapter, American Institute of Banking, are: President, EARL H. CUNERD, First National Bank; first vice-president, LESLIE A. HOFFMAN, Girard Trust Corn Exchange Bank; second vice-president, RAYMOND W. YARROLL, Federal Reserve Bank of Philadelphia; treasurer, R. DAVID CONNER, Girard Trust Corn Exchange Bank.

LEWIS B. WILLIAMS, board chairman of The National City Bank of

Main Street



Frank A. Howard



C. A. Hemminger

Cleveland, was reelected a board member of the National Industrial Conference Board.

FRANK A. HOWARD has been appointed a vice-president of the Chase National Bank, New York. He'll be associated with THOMAS M. FINDLAY, vice-president in charge of Chase's three branches in Cuba. He was with the Hong Kong branch for almost 20 years before that office was closed early last year.

AL G. VAUGHAN has been named vice-president of Citizens National Trust & Savings Bank, Riverside, California. HAROLD KNEHANS has been named an assistant vice-president.

Robinson Honored

SEVENTY-FIVE directors, officers, and department heads of The First National Bank of Atlanta held a welcoming dinner for their new chairman, JAMES D. ROBINSON, JR. In attendance were a number of descendants of the founders of the several institutions which by mergers now make up the First National. In this group was ROBERT F. MADDOX, a former (1918) president of the American Bankers Association.

The HALTOM CITY (Texas) STATE BANK has opened its doors to the public. President is J. ALLEN RHODES who is also vice-president of the Continental National Bank, Fort Worth; Executive Vice-president HAYDEN B. SEALE and Cashier GRANT OWENS are former Conti-

nental National employees. MAX PAYNE, assistant vice-president, was formerly vice-president of the First National Bank of Grapevine, Texas.

ELWOOD M. BRAKE, JR., assistant cashier of the Ionia County National Bank, Ionia, Michigan, was voted the outstanding state vice-president of the Michigan Junior Chamber of Commerce and received an award at the state convention.

Hemminger to St. Louis

C. A. "ART" HEMMINGER, director of public relations of the American National Bank and Trust Company, Chicago, has been named director of advertising and public relations for First National Bank in St. Louis. He succeeds the late WILLIAM M. SHERRILL.

MR. HEMMINGER is an alumnus of The Graduate School of Banking, Class of 1946. He was once advertising manager of Bankers Trust Company, New York, and later director of the news bureau of the New York State Bankers Associa-



During the bank's open house at the conclusion of a modernization and expansion program involving 16 months and over half a million dollars, President Harlan A. Sears of the Third National Bank & Trust Company of Springfield, Massachusetts, shows a young visitor how the big proof machine works

tion. He's a past president of Chicago Financial Advertisers, and has served as chairman of the committee on public relations of the Illinois Bankers Association. MR. HEMMINGER is widely known as a lecturer and author, and has contributed to BANKING.

ARTHUR H. BOTHEN, formerly of South Side Bank & Trust Company,

J. Bertram Kelly, right, president of The City Savings Bank of Brooklyn, receives a citation honoring the bank and its staff for an outstanding record of purchases of United States Defense Bonds through the payroll savings plan. The presentation is made by William J. Ahern, vice-president of Bank of the Manhattan Company and member of Kings County Defense Bond Advisory Committee. Looking on is John V. McTernan (center), acting deputy director in charge of defense bond sales in Kings and Richmond Counties of New York City



FAST
COLLECTION
FACILITIES
including
complete
night
transit
operation

The
NATIONAL CITY BANK
of Cleveland

623 Euclid Avenue  Fourth Federal Reserve District
 MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

ATTRACT AND INFORM CUSTOMERS!

DISTINCTIVE, CHANGEABLE BULLETIN & DISPLAY SIGNS

for lobby or exterior use
 —also desk name plates.



Send for illustrated catalog of our complete and distinctive line.

ACME BULLETIN & DIRECTORY BOARD CORP.
 37 East 12th Street, New York 3, N. Y.

Chicago, has joined Lincoln National Bank, Chicago, as an assistant vice-president in the bank's public relations and new business division.

At the Federal Reserve Bank of Dallas, HARRY A. SHUFORD was elected vice-president and general counsel; G. R. MURFF was elected general auditor, succeeding LEON DANIELS, resigned.

ROY M. QUISENBERRY is now a vice-president of Texas Bank & Trust Company, Dallas.

The WENDELL NATIONAL BANK, Wendell, Idaho, has been acquired by the IDAHO FIRST NATIONAL BANK as its twenty-second office. State Senator AUSTIN SCHOUWEILER, president and principal owner of the Wendell bank, continues with IDAHO FIRST NATIONAL in an advisory capacity. NORMAN J. SCHOONOVER, heretofore assistant manager of the bank's Parma branch, is manager of the new office.

These New York and Brooklyn bankers have been named officers of the Savings Banks Insurance Forum of New York State: *Chairman*, JOHN DANKO, of Central Savings Bank; *vice-chairman*, WILLIAM F. OWENS, Emigrant Industrial Savings Bank; *secretary*, GERALD PINGERRE, Lincoln Savings Bank; *treasurer*, ALFRED KRANEN, Kings County Savings Bank.

KEITH M. URMY has been elected vice-president of Chemical Bank & Trust Company, New York, in charge of its newly enlarged office at 46th Street and Madison Avenue.

The fifth annual International Orchid Show sponsored by the National Capital Orchid Society will be held in the lobby of the AMERICAN SECURITY AND TRUST COMPANY Washington, October 25 and 26. The show is held annually as a civic gesture and admission is free. LINNAEUS T. SAVAGE, assistant secretary of the bank and a charter member of the society, is show chairman.

A. EDWARD MACDOUGALL has been named vice-president of Queens County Savings Bank, Flushing, New York, succeeding the late HOWARD D. SPRINGSTEEN. He is also



Eleanor A. Kropf, of the estate planning department of the Chase National Bank, speaking to 230 women at New York Chapter, A.I.B. She spoke on Wills, Estates, and Trusts, the first of a two-session Women's Finance Forum sponsored by the Women's Committee of New York Chapter

president of The Queensboro Corporation, developer of Jackson Heights, New York.

MAY F. MCCUSKER, trust administrator, Irving Trust Company, is the first woman to be elected to the board of governors of New York Chapter, American Institute of Banking. In 1941 she was chairman of the AIB's National Women's Committee. Elected with MISS McCUSKER were: HERBERT HOLDEN, JR., National City Bank of New York; MILTON C. STOCKER, Marine Midland Trust Company; and HERBERT E. KIRMMSE, Assistant Deputy Superintendent of Banks of the State of New York.

HOWELL W. KITCHELL has been elected trust officer and WARREN F. FORSTER, JR., assistant trust officer of the Broward National Bank of Fort Lauderdale, Florida.

THE BANK FOR SAVINGS IN THE CITY OF NEW YORK is operating its seventh annual Vacation Travel Show. It runs through July in the bank's main office.

Boston NABAC

THE Boston Conference of the National Association of Bank Auditors and Comptrollers has these new officers: *President*, NORMAN T. SHEPHERD, *vice-president and comptroller*, Haverhill National Bank; *vice-president*, H. B. HASSINGER, auditor, The (CONTINUED ON PAGE 25)

"I don't know

the answer

... but I know

where I can get it!"



"Lombard 3-9620"

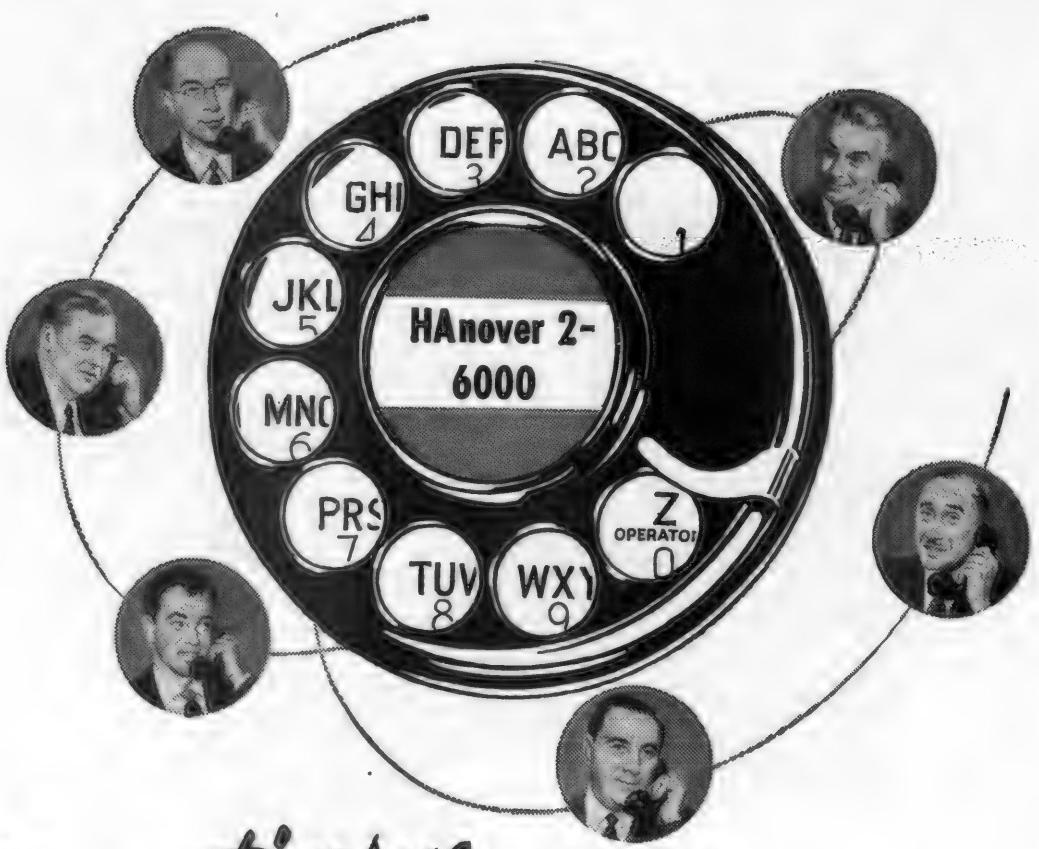
THE PHILADELPHIA NATIONAL BANK

PHILADELPHIA 1, PA.

Organized 1803

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

The Number One Bank in Philadelphia in more ways than one!



Information... FOR BANKERS

HAnover 2-6000 is one of the best-known and most widely used telephone numbers in the banking industry.

Why?

Because thousands of Chase correspondents know that a call to that number gets *action* no matter how unusual their request may be.

Who sells camel bells in Cairo? Where can I get a deck of five suit bridge cards? Can you supply us with a series of cartoons depicting an event in the life of a prominent Washington figure?

Thousands of requests daily come through the huge switchboard at Chase, over the Bank Wire—and by mail. Each inquiry is handled the "Chase way"—promptly and with every effort to be as helpful as possible. Naturally, many of the requests are routine, but we like to think it's the Chase willingness to serve our correspondents in more than the routine way that makes so many bankers say,

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OF THE CITY OF NEW YORK**

Member Federal Deposit Insurance Corporation



BANKING

MAIN STREET (Continued)

First National Bank of Boston; *secretary*, HERBERT A. WOOD, auditor, Mechanics National Bank of Worcester; *treasurer*, FREDERICK P. GODSOE, assistant auditor, The Second National Bank of Boston; *advisory board*: ARTHUR W. CRAMPTON, assistant auditor, The National Shawmut Bank of Boston; MICHAEL A. HERLIHY, auditor, Bay State Merchants National Bank, Lawrence; CARLTON R. HILL, auditor, Harvard Trust Company, Cambridge.

At Peoples First National Bank & Trust Company, Pittsburgh, JOHN H. LUCAS has been elected senior vice-president; BURTON S. HOLMES becomes assistant trust officer.

THE HOUSTON (Texas) NATIONAL BANK has awarded its second annual \$2,000 scholarship in banking and finance. The award provides \$500 each year for tuition, books, fees, etc., at the University of Houston. By 1954, when the plan is in full operation, the bank will be maintaining four students at the University's school of business administration. The program was established to stimulate interest in banking among college students.

Honorary Doctorate

WESTMINSTER COLLEGE, Fulton, Missouri, has conferred the honorary degree of Doctor of Laws upon TOM K. SMITH, chairman of the board of the Boatmen's National Bank of St. Louis. MR. SMITH was cited for his leadership in civic and banking affairs. His presidency (1936) of the American Bankers Association was mentioned in the citation. He is currently active in the A.B.A. as a member of the advisory Committee on Special Activities and the Government Borrowing Committee.

KOREA—CAPT. CHARLES F. HENNESSY, formerly of the National City Bank of New York, has received the ribbon for meritorious service as chief of the passenger branch of the movement control division, Eighth Army transportation section. While at National City Bank, CAPT. HENNESSY received in 1936 the Thorne-Loomis award or the Tuck Foundation, an award made annually to

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outstanding young men in the banking field.

At Merchants National Bank and Trust Company, Dayton, Ohio, RUSSELL V. FOX was elected president and a member of the board. He succeeds the late ANTHONY C. WOLF. GORDON L. HAMMOND, former cashier, was elected a vice-president to succeed MR. FOX. FRED C. SCHELL was named cashier.

Batchelder Retires

EDWARD D. BATCHELDER, technical assistant to the Fiscal Assistant Secretary of the Treasury, has retired after nearly 40 years with the Government. He receives the Albert Gallatin award for long and exemplary service to the Treasury Department.

Through his various responsibilities, MR. BATCHELDER became known to bankers nationwide. In World War II and since, he was in charge of banking relations in the office of the Fiscal Assistant Secretary. Another responsibility was the supervision of arrangements for the utilization of banks in the income tax withholding system.

THOMAS C. BOUSHALL, president of The Bank of Virginia, Richmond, has been named national councillor of the Chamber of Commerce of the United States.

GEORGE B. MORAN, on leave of absence from The Hanover Bank,

New York, has been reelected a vice-president and has returned to the bank. He had been recalled to active duty as a lieutenant colonel in the Air Force.

T. H. HAYTER, senior vice-president of the First National Bank & Trust Co. of Sioux Falls, has been appointed chairman of the Treasury Committee on Savings Bonds for the State of South Dakota. MR. HAYTER has served on the National Bank Division of the American Bankers Association and was for three years A.B.A. Savings Bonds Chairman for his state. He is a former president (1943) of the South Dakota Bankers Association.

LAWRENCE O. HOTCHKISS at 39 has become president of the First National Bank of Mercer, Pennsylvania, succeeding the late C. G. WILLIAMS who was president for 24 years. Mr. HOTCHKISS is an alumnus (1947) of The Graduate School of Banking, where he majored in investments. He's the youngest bank president in the county and surrounding area.

Little Need for Man

MRS. NETTIE PITTMAN, executive vice-president and cashier of the Callao (Virginia) branch of the Bank of Westmoreland, is the subject of an illustrated feature in *Nation's Business* for May. Mrs. PITTMAN, says the magazine, is the final authority on all loans made in



Kay Crane is shown before the big flag she designed for First National Bank of Minneapolis and holding her original design. The 11 gold stars represent the bank's 11 offices. The flag will be flown daily as the bank's "house flag."

a 25-mile square area by her bank.

And nobody comes in to ask for the man in the bank—there isn't any. Only women work there, and all are natives of the town. The only time they really need a man "is when there's a picture to be hung."

ELWOOD M. BROOKS, president of the Central Bank and Trust Company of Denver, Colorado, is subject of an article entitled "The Banker Who Gambles on People" in the July issue of *Pageant* magazine. MR. BROOKS is credited with bringing "country store methods to big town banking," and is quoted as saying that "a bank should be run with faith and kindness. If you won't take a chance on the ordinary man in the street, what good are you to your community?" According to the editor and publisher of *The Denver Post*, Mr. Brooks thinks "interest is something you have in your community as well as something you pay on deposits or collect on investments."

Employees of the FEDERAL RESERVE BANK OF PHILADELPHIA recently held an art exhibit in which entries came from employees of Federal Reserve banks throughout the country. Three judges selected winners in oils and water colors. At the opening reception a popular vote

(CONTINUED ON PAGE 28)





FAST CONVENIENT COMPREHENSIVE COLLECTION SERVICE

**saves time, money, and detail work
for correspondents of the
Continental Illinois Bank**

SAVE yourself the work and expense of handling collection items. Send your items to us—whether they are payable in Chicago or elsewhere.

We pick up our mail at the post office as soon as it arrives. Chicago items are presented on the day of receipt, or the drawee is notified. Out of town items are forwarded by fastest means available.

By listing your collection items on one letter to us, you simplify your record work, you avoid the handling of remittance checks, and you save postage. Besides, we do the tracing—and since we usually receive Chicago funds in settlement, float is reduced to a minimum.

Continental Illinois National Bank and Trust Company of Chicago

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Member Federal Deposit Insurance Corporation



M. R. Baty



Estil Vance



Elizabeth Brady



Renee Spears



Leighton Hough



Glenn Jorgensen

MAIN STREET (Continued)

was taken to determine a further prize. Employees of the bank meet two nights a week in art classes in which one of the instructors is fellow staff member, MRS. OLGA MATUCK.

M. R. BATY, heretofore president of the South Shore National Bank of Chicago, has joined the Hackley Union National Bank of Muskegon, Michigan, as executive vice-president and member of the board. He succeeds the late HERMAN C. WAGNER executive vice-president since 1927.

ESTIL VANCE, president of the Fort Worth (Texas) National Bank, has been elected to the boards of the West Side State Bank and the Riverside State Bank, both of Fort Worth.

Doctorate for Downie

ROBERT C. DOWNIE, president of Peoples First National Bank & Trust Company, Pittsburgh, Pennsylvania, was awarded an honorary degree of Doctor of Laws by Duquesne University, Pittsburgh.

In his address to the 74th gradu-

Robert C. Downie (left) as he received his Doctorate from The Very Reverend Vernon Gallagher, president of Duquesne University



ating class, MR. DOWNIE said in part:

"The hour is late. Our civilization is facing most serious problems. . . .

"We need and must have more leaders who have faith in our fundamental concept of freedom; more leaders who depend on basic Christian principles to guide them in the solution of our problems. We need more men who will sacrifice personal gain and power to protect and advance the people as a whole; men with courage to decide issues simply on the moral basis of what is right and what is wrong, regardless of the influence or pressure from those who would dictate decisions for selfish or personal interests; men with the intellect to occupy positions of leadership and, equally important, the ability to persuade others to follow where they lead.

"It is high time that we cry out from the house tops that the general welfare of the American people will be better advanced by a government that protects and stimulates individual industry and thrift, than by any form of paternalism or planned economy."

Two women bankers have been elected to top offices in the business and professional women's organizations of the New York area. ELIZABETH A. BRADY of Bankers Trust Company is president of the New York League of Business and Professional Women, Inc. RENEE D'A SPEARS, assistant cashier at the First Westchester National Bank, Bronxville, is president of the Business and Professional Women of Bronxville.

CHARLES E. WILSON has been re-elected a director of Guaranty Trust Company of New York. He had served on the bank's board during two previous periods. He was a director for three years prior to World War II, resigning in 1942 to become vice-chairman of the War Production Board. He returned to

the Guaranty Board in September, 1944, and served six years until his appointment in 1950 as Director of the Office of Defense Mobilization.

LEIGHTON HOUGH has been named president of The First National Bank in Oshkosh, Wisconsin. GLENN JORGENSEN is vice-president and cashier. MR. HOUGH is an alumnus of The Graduate School of Banking, and for the past two years has lectured at the School of Banking at Madison, Wisconsin, in which MR. JORGENSEN is now a student.

BEN H. WOOTEN, president of the First National Bank in Dallas, has been chosen by the Press Club of Dallas as its Headliner of 1952. He was selected for rendering real service to the community and "getting along amiably with the press."

Hobby Makes Banker Hybrid Corn Expert

JOHN FOGG, vice-president of the Federal Reserve Bank of Boston, through his hobby has become one of New England's best-informed corn hybridists. More than 200 varieties of "Rainbow" corn have been raised on his one-acre farm in Bedford, Massachusetts.

Very little of the corn is eaten. The crop is displayed—and sold—

John Fogg with "rainbow" corn



in a number of nurseries to people who use it for display purposes at home. And around Hallowe'en, MR. FOGG exhibits part of his crop in the lobby of the Federal Reserve Bank.

Clinging Vine Department

The *Chase*, house organ of Chase National Bank, New York, tells how when ANTHONY DE ROBERTIS left the bank on military leave with the Navy, he left, "besides a host of good friends," a frail little plant, a philodendron. TONY is now on his way home from the Pacific "and it looks as if the plant intends meeting him at the pier."

The tender little six-inch shoot which he left behind is now 18 feet long. The plant has had spectacular care—there's even a "vice-president in charge of water and Vigoro," and a "vice-president in charge of the string and where-do-we-hang-it-now-boys? department."

THE AMOSKEAG SAVINGS BANK of Manchester, New Hampshire, has begun its second century of operation. The bank boasts a record of unbroken dividend payments, and during its lifetime has distributed \$46,605,597.88. It is the largest mutual savings bank in the three northern New England states, and is only six years junior to the city of Manchester.

LINCOLN ROCHESTER TRUST COMPANY, Rochester, New York, is the only bank in the country to receive the National Safety Council award for "exceptional service to safety." It is one of 17 advertisers in the United States to receive the award. The bank was commended for its sponsorship of "The Mainstreeter," a program which has been on the air for seven years and is conducted by AL SISSON of the bank's customer relations department.

STEPHENSON NATIONAL BANK of Marinette, Wisconsin, has received a certificate of award for outstanding newspaper advertising exhibited at the 1952 convention of the Newspaper Advertising Executives in Chicago.

THE STATEN ISLAND NATIONAL BANK & TRUST COMPANY, Port Richmond, New York, in celebration of

The First National Bank of Never-Never Land



Its employees are above every human temptation.
The names on its payroll never change.
Its system of internal controls is fool-proof.
Its securities cannot be lost or misplaced.
Forgeries can never affect it.
It cannot be burglarized or robbed.
And its deposits remain the same, year after year.

It is the only financial institution which can afford not to have its bonding insurance coverages reviewed periodically—by specialists.

For a detailed analysis of your present blanket bond protection—with obligation—phone the local F&D agent. Today.



Bonding specialists for over 62 years

AFFILIATE: AMERICAN BONDING COMPANY OF BALTIMORE

Ride the tide of Progress!

The tide of progress is filling the Delaware Valley with new industry, new housing, new business.

We at Central-Penn have been working with many of the new arrivals since the flow began. They are benefiting from our banking know-how gained by more than 120 years in Philadelphia.

If your client should join the movement into this area, why not get in touch with us?

CENTRAL-PENN NATIONAL BANK OF PHILADELPHIA

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

The banker wants to know—

about the contingent liability created by wide differences between original and replacement costs — the effect on balance sheet, profit and loss, and insurance. American Appraisal Service furnishes the answer.

The AMERICAN APPRaisal Company

Over Fifty Years of Service

OFFICES IN PRINCIPAL CITIES



Wm. C. McBride



Marie J. Darcy



Wm. H. Vernon



Brown G. Ensign

its 50th anniversary has published a gold-covered booklet, *Fifty Years of Service to Staten Island*. It is replete with bank and Island history for the 50-year period.

BROWN G. ENSIGN is now executive vice-president of Central Valley Bank of California, Richmond.

WILLIAM C. MCBRIDE has joined the Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, as director of personnel. He had been a personnel specialist in an industrial concern.

Bank Women Elect

New officers of the Savings Bank Women of the Metropolitan Area, New York, are: *President*, MARIE J. DARCY, personnel officer, Excelsior Savings Bank; *vice-president*, ELEANOR CONNORS WATERS, The Seamen's Bank for Savings; *secretary*,

HELEN ANDERSON, East River Savings Bank; *treasurer*, ALICE PHILIPS, The Prudential Savings Bank.

WILLIAM H. VERNON, president of the trust division of the Kansas Bankers Association, has been elected vice-president of the American National Bank of Hutchinson, Kansas. He was formerly vice-president and trust officer of The Hutchinson State Bank.

EMMETT G. SOLOMON, president of American Factors, Ltd., Honolulu, has been elected a director of Bishop National Bank of Hawaii at Honolulu.

AMERICAN TRUST COMPANY, New York; **CENTRAL TRUST COMPANY**, Rochester, New York; and **WACHOVIA BANK & TRUST COMPANY**, Winston-Salem, North Carolina, have been awarded Certificates of Management Excellence by the American Institute of Management.

At 100 years of age, The Fulton County National Bank of Gloversville, New York, feels that it's old enough to have a beard, and accordingly published this ad. The illustration in the lower left-hand corner depicts its first banking house as it looked back in 1852. As a part of its centennial celebration, the bank issued a 48-page book entitled "Our First One Hundred Years."



... If a

BANK Could Grow a Beard...



The Fulton County National Bank and Trust Company of Gloversville could wear a very long one! For we are ONE HUNDRED YEARS OLD on May 17, 1952.

You may not recognize this trim little building, but this was our first banking house of 1852, located on W. Fulton Street.

We are going to have an Open House Birthday Celebration with souvenirs for all and we invite everyone to visit us.

Watch for the announcement and the 100th Anniversary Candle Contest.



BANKING

Instantly ACCEPTED...



Wherever your customers go—across the state or around the globe—you can always be sure they will feel safe and *at home* with American Express Travelers Cheques. For these Travelers Cheques are constant reminders of your bank's service at its best!

**The Most Honored Cheques
in the World**

Through more than 60 years of service to the public, backed by vigorous promotion and national advertising, American Express Travelers Cheques have always been the best-known cheques by far . . . instantly recognized and accepted in a million places in this country and all over the world.

Spendable *anywhere, anytime*, they're 100% safe, easiest to cash!

Exclusive Plus Services

Think of the extra services available *only* through American Express! Every one of more than 200 offices in the United States and abroad becomes a "service station" for your customers—providing willing assistance for any travel problem. In case of loss or theft, when speed counts most, a quick refund or financial help is given with the same degree of courtesy your customers find at your bank. Doesn't all this add up to greater customer satisfaction?

AMERICAN EXPRESS TRAVELERS CHEQUES

THE MOST WIDELY ACCEPTED CHEQUES IN THE WORLD!





UP A TREE . . .

about how to turn out better looking letters . . . faster?

You won't be, after a revealing "Production-Plus" test*

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Yes, just a flick of the starting switch—and the Remington Electri-economy's controlled power typing gets you "off the limb" and turns out handsomer, distinctive letters, bulletins and reports that command instant reader attention. What's more, its

amazing speed and ease of operation increases typing production . . . decreases office typing costs . . . really boosts typists' morale.

That's why the Electri-economy with its "years-ahead" superiority in design, construction and performance is preferred by thousands of businessmen throughout the country—is successfully and squarely meeting today's secretarial shortage plus the need to get more things done in less time.



*For FREE informative Electri-economy Test right in your own office or FREE literature "TAKE A LETTER" (RE 8499) write Remington Rand, Room 2188, 315 Fourth Avenue, New York 10, N.Y.

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JULY 1952

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

The OUTLOOK and CONDITION OF BUSINESS

Look What Is Going On Right Under Our Rio Grande

This month we go on a little trip south of the border, as guests of the Mexican Government, with a group of American bankers and businessmen. In the course of this neighborly visit we have a chance to observe first hand not only the lively condition of Mexican business, but to look at business in general from an angle that reveals some unexpected lights and shadows.

The trip grew out of a meeting of the newly organized Mexico-U. S. Businessmen's Committee in Mexico City last August, when President Aleman invited the American group to make a tour of Mexico and observe economic progress.

This committee was set up under the joint sponsorship of the United States Chamber of Commerce and the comparable organization in Mexico, along the same lines as one previously created with Canada.

The head of the American group is W. L. Hemingway, chairman of the executive committee of the Mercantile Trust Company of St. Louis, and the head of

the Mexican group is Edmundo J. Phelan, president of the Confederation of Chambers of Industry and vice-president and sales manager of Cia. Hulera Euzkadi.

I

WHILE WE HAVE BEEN DEBATING whether our manifest destiny is in Asia, Europe, or Main Street, destiny has been busy with some projects of her own, as usual. Almost unnoticed in the majestic confusion of our fight against Communism, things have been happening right under our Rio Grande that could possibly set a pattern for victory in the economic or cooler aspects of our differences with Moscow.

If one of our main objectives is to sell the world on the superiority of free enterprise as an instrument of better living, then exhibit No. 1 might well be the family next door.

The threat of inflation and the proverbial low boiling point of Latin American politics are two possible

Business Outlook Capsule

LEADING crystal gazers of nation's capital expect good business the rest of this year.

Opinion emanating from Washington is more optimistic than elsewhere, but most indications still point to a continuation of business activity on a high level.

Two years ago the Korean War started . . . One year ago Malik hinted at a cease fire and we fell all over ourselves getting in line . . . Four months to election . . . Politics—domestic and world—dominate business outlook.

Defense spending is rising but may not reach \$5-billion monthly for another eight or 10 months.

Inflationary effects from deficit financing are still a factor.

Savings are still going up and consumers are still showing reluctance to spend.

Politics will tempt the Government to push money out.

Inventories are still high at all levels.

Relaxation of Regulation W did little for retail trade, according to banks throughout the country, but another million-homes year was expected even without the Federal Reserve Board's recent modification of Regulation X.



American members of the party and their Mexican hosts at el Rancho Grande Hotel, Brownsville, Texas, at the start of the tour

drawbacks. However, these conditions are encountered in varying degree all over the world today, so peregrinating capital is beginning to regard them as a normal state of affairs. Mexico has tasted the forbidden fruit of devaluation and may do so again. Her political leaders are as skilled as our own at the game of jerking the rug out from under each other, except, as one old American resident of Mexico put it, "They do it differently and more artistically in Mexico."

In any case, Mexico seems to be entering on a period of intensive development agriculturally, industrially and culturally, and she has a powerful ally in her neighbor to the north. There is nothing unique or remarkable about either of these facts by itself, but together they make an arresting picture and timely, too—because we need something for advertising purposes to offset the spectacle we have provided in Korea.

There is, of course, Mexican Government money involved and quite a flow from our own public tills, too, but, for the most part, it is business, just plain pre-lend-lease, pre-Marshall, pre-Point Four business, that is providing the force back of this impressive activity.

Today in international affairs, nobody knows what is going to happen so everyone is, perforce, an expert. On one point, however, there is general agreement. The business outlook and the war outlook are part of the same act. The two dance to the same rhythm. If one does a little jump, the other does, too. If one does a handspring, so does the other. The whole economy, here and abroad, is more or less a product of war and directly influenced by the varying prospects of war.

At a sylvan retreat near New York recently there was a much publicized meeting of leading economists. Many thoughtful papers on the future of practically everything were presented and all contained the great international "if," as to war. This "if" is a universal ingredient of all public discussions and private thinking on business questions today, mixed, of course, with varying amounts of discouragement over our record in the cold war, dissatisfaction with our rearmament progress and fear that we may communize ourselves in the process of fighting Communism. Even isolationists today are simply nationalists who pray that our international affairs will be handled intelligently, a

prayer devoutly shared by our friends throughout the world.

So what's happening in Mexico should be viewed "in context" historically as part of the ideological war, of special importance to us for several reasons. One is that Mexico is right at our doorstep. Another is that she has experienced a long period of revolution and land reform and to that extent Communism has lost its pristine lure. Still a third is that United States capital and skill are working with the Mexicans on a basis of friendly understanding. The results are evident on every hand—factories, roads, power plants, dams, vast irrigation projects, cultural developments and housing projects. Enthusiasm, pride, confidence in the future, and a robust pioneering spirit usually found only in new countries are putting a new spring in the step of this oldest of Western Hemisphere civilizations. There is still much to be done and there may be periods of unrest and trouble in the future, but Mexico seems to have found her direction and a new stride.

"Manifest destiny" has been a potent phrase in our relations with Latin America for over a hundred years, with manifold manifestations. In President Polk's time it meant annexation. Later, in the 80's and 90's, in Secretary of State Blaine's lexicon, it meant trade reciprocity and the maintenance of peace in the Western Hemisphere under the benevolent but firm hand of Uncle Sam. In the 1920's, when Dwight Morrow went to Mexico City as Ambassador, the ground work was laid for its present definition, which is friendly cooperation in economic development with our neighbors to the south.

II

When the Hemingway Group assembled at el Rancho Grande Hotel in Brownsville, Texas, there was something unusual about the whole procedure. In recent years we in the United States have been hosts to countless groups of every kind from abroad coming here to see how we do things. Here we were, a party from the United States about to visit Mexico on the invitation of President Aleman, to see how the Mexicans did things.

(CONTINUED ON PAGE 110)

Excess Profits Tax— Impact on Commercial Banks

ROWLAND R. HUGHES

Mr. HUGHES is a vice-president of The National City Bank of New York and chairman of the American Bankers Association's Special Committee on Excess Profits Tax. Mr. HUGHES and other members of the committee are pictured on the front cover and listed on page 3.

BOOTH the banks and the supervisory authorities now have, for the first time, valuable and reliable data on the excess profits tax as it affects banking. The report of the survey made under the direction of the Board of Governors of the Federal Reserve System, with the cooperation of the other agencies and the bankers' associations, appears in the June issue of the Federal Reserve *Bulletin*. The Board has accomplished fully everything it originally agreed to do when the survey was undertaken in December 1951 by a questionnaire to a selected sample of insured commercial banks. The article in the June *Bulletin* gives an objective presentation of the facts and figures and of the statistical relationships between taxation, under the excess profits tax law, of commercial banks and such factors as capital funds and earnings.

Even the statistical data do not tell the whole story, however. After obtaining the underlying facts, it is still necessary to evaluate their significance and point out their meaning in connection with the serious problem of obtaining correction for the banks of the inequitable burden they find themselves bearing under the present excess profits tax law.

Data were secured to show how much excess profits taxes are being paid by groups of banks of different sizes and with varying capital ratios

in order to ascertain the extent to which the tax affects the ability of banks to strengthen their capital position. Bankers and others have been concerned about the problem of excess profits taxation because adequate private capital is the life blood of our decentralized and competitive system. If the ability to obtain that capital is impaired by taking an undue proportion of earnings, or if there is an inequitable limitation of growth in earnings through so-called excess profits taxation, it would be a threat to the ability to continue to maintain a sound banking system.

When analyzed thoroughly, the Federal Reserve survey is found to substantiate the viewpoints expressed by many bankers based on their own and other bankers' experience with the excess profits tax. This taxation of so-called excess profits may be only one of the factors causing the drain upon bank earnings and thus upon the source of bank capital for the protection of depositors, but it is considered by bankers who come under it as the worst type of all the taxes and the first one that should be eliminated. When a bank moves into the excess profits tax bracket, its operations in practice become severely circumscribed, particularly where the community which it serves calls for growth in banking facilities. It has been found that the excess profits tax burden works to prevent banks from building up the necessary capital protection which should accompany added risks.

Until the Federal Reserve made its survey, one could not tell just how extensive the excess profits tax burden was on banks, although the



The author

adverse effects had been reported by many individual banks in various sections of the country. Thus the facts of the survey are enlightening. In brief, the following points regarding them should be noted:

(1) The net rate of return on "equity invested capital" (including reserves as well as capital funds, but not borrowed money) of all insured banks for 1951 is shown as 6.7 percent; for 1950 as 7.4 percent.

(2) The excess profits tax is being incurred by a significant part of the banking system, both in numbers of banks and the capital funds of the banks involved, and is not confined to any one size of banks. In 1951, 2,850, or 21 percent, of the insured commercial banks paid excess profits tax. Of that number, 2,380, or 83 percent, were banks having capital funds of \$750,000 or less.

(3) The burden of the tax is more severe than is indicated by the amount actually paid in 1951, because nonrecurring items of profit and loss permitted deductions that cut down by almost one-half the excess profits liability that would have been allocable to regular current operating earnings.

(4) The tax is being incurred most frequently by banks most in need of additional capital protection, as measured by capital ratios.

(5) The burden of the tax is relatively greater on the banks with low capital ratios.

The amount of excess profits tax paid in 1951 by banks is reported as \$24,000,000. The yield is a negli-

(CONTINUED ON PAGE 94)



A familiar scene, above, will soon be repeated twice in Chicago. The results will begin to be felt in November—in Washington and elsewhere

WIDE WORLD

At the End of a Session

LAWRENCE STAFFORD

ANXIOUS to go a-campaigning, the Congress is likely to leave most direct banking legislation to solution by the Congress which is elected in November and meets next January.

In particular, the question of whether there shall be a revision of bank holding company legislation was scheduled to go over until next year. The same will happen to the subject of capital requirements for state bank membership in the Federal Reserve, although, as will be related below, the Senate Banking Committee got this subject started with a report on the bill.

All thought of any general monetary legislation was postponed until the indefinite future, despite the serious and comprehensive study by the Patman Committee.

A subject about which considerable may be heard next year is the McClellan bill, whose central purpose is to set up a staff to aid members of the appropriations committees to

sift the requests of Federal agencies for funds. This staff would comprise a sufficient number of trained personnel so there would be no one man thoroughly familiar with each agency's operations. This individual not only would be able to track down waste in expenditures, if any, but would be more thoroughly prepared to reach an informed judgment as to new fund requests. This staff would make its information and judgment available to members of the appropriations committees.

Other lesser legislation is losing out in the struggle to cut short the legislative meetings for the purpose of freeing Congressmen for the national election campaign.

Would Abolish Population Test for Capital Needed

The Senate Banking Committee favorably reported a bill, sponsored by the Federal Reserve Board, which would abolish the population stand-

ard for determining how much capital a state bank would be required to have as a condition to joining the Federal Reserve System or for establishing branches.

"Under present law no state bank may be admitted to membership in the Federal Reserve System unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national bank in the place in which it is located," the committee report observed.

The committee would vest the Federal Reserve Board with discretion respecting the adequacy of capital of state banks being admitted to the System, similar to the latitude the law gives the FDIC on this subject. The bill also would eliminate the present minimum capital requirement for the establishment of branches by national banks.

"This would mean that state member banks also would no longer be required to have capital stock of at least \$500,000 in order to establish

out-of-town branches," the committee explained.

While passage of this bill was not scheduled for 1952, the Senate committee's report was the first time this issue was brought out into the open for many years in Congress.

GI Bill Extended to Korean Veterans

At the time of writing, Congress was in the process of extending the benefits of the so-called "GI Bill of Rights" law to veterans of the Korean "police action."

Previously no veteran who had been in service after July 27, 1950, was eligible for these benefits, including the VA guarantee of up to 60 percent, or a maximum of \$7,500 per individual on home purchase loans.

The bill under consideration, and passed with only one dissenting vote in the House, actually makes service personnel on active duty for a period of ten years after the current Korean emergency eligible for its manifold benefits.

The bill continues the VA loan guarantee and, at least in the House, fixes the interest return at 4 percent.

The new GI bill does away with the "readjustment" allowance of \$20 per week for unemployed veterans. In place of this all veterans would be given mustering out pay of from a minimum of \$100 for short service in the continental United States to \$300 for more than 60 days overseas.

Educational benefits would be paid in monthly sums direct to veterans, instead of being in part a payment to the veteran and in part a payment of tuition to an institution.

FRB Modifies Regulation X

On June 11 the down-payment provisions of Regulation X were modified. The new rules reduced to 5 percent from 10 percent the required down-payment on housing costing \$7,000 or less, reduced to 40 percent from 50 percent the down-payments on housing costing \$25,000 and over, and made proportionate adjustments in between. A separate set of adjustments was made for veterans, who now make no down-payment on houses costing \$7,000 or less.

(CONTINUED ON PAGE 100)

The French "Good as Gold" Loan

HERBERT BRATTER

AN interesting development in French financial history was written when, starting May 26, the Government of Prime Minister and Minister of Financial and Economic Affairs Antoine Pinay offered the French public a new issue of franc bonds with an "as good as gold" clause.

Ever since World War II, efforts of successive governments to stabilize the franc had met at best with only temporary success for lack of public confidence and cooperation. The French masses displayed much more confidence in gold, especially old gold coins, than in the promises of their officials.

THE French Government had laid out a big investment budget—the Monet plan for modernization and equipment, and for completing the post-war reconstruction. If only the French public would invest in Government bonds instead of gold, the investment budget could be financed. "It's too sad," M. Pinay is quoted as saying, "that all this gold lies idle."

The plan evolved was to float a novel loan, utilizing at the same time the internal free gold market set up in 1948 regardless of hand wringing at the International Monetary Fund. In that market gold bullion and French and foreign gold coins are traded in terms of francs by the general public without restriction. The identity of buyers and sellers remains unknown to the government. The latter, however, intervenes in the market from time to time by buying and selling in the name of the Exchange Stabilization Fund. That fund, and the Bank of France, are parts of the Ministry of Finance. But while the Bank of France deals in gold only at the official par value of the franc—the equivalent of our \$35 price—the Exchange Stabilization Fund is free to make a profit or take a loss on its gold operations and engages in the trade at premium prices, borrowing from the central bank when it runs short of cash.

The Pinay loan is a tap loan. When the government is satisfied with the results it will close the books. The bonds, subject to amortization, mature in 60 years and bear 3½ percent interest. The interest, payable in paper francs, is free of income tax as well as the normal tax on bond interest. The bonds are on sale at all post offices, Treasury disbursing offices, and banks on a "no questions asked" basis. They are bearer bonds. The coupons may be cashed in the same places and on the same basis of anonymity. Repayment of the principal of the bonds, whether through amortization or on maturity, will be in paper francs, the amount of which will be determined by the free gold market price of the 20-franc *louis d'or* gold piece. If between the time of the original purchase of the bond and that of its redemption the price of the *louis d'or* has increased in terms of francs, the capital value of the bond will be increased correspondingly.

A 20-franc gold coin was worth about 4,000 paper francs when the loan was offered.

THE capital value of the bonds is exempt from inheritance and gift taxes. The bonds may be bought with certain earlier outstanding French bonds at par or with paper francs. The gold hoarder is invited to convert his "dead" asset into one that will yield an annual interest return while at the same time retaining his anonymity and escaping penalty for any past evasion of taxes or violation of law. He is confirmed in the possession of his wealth; indeed, rewarded. When he sells gold to raise francs for the purchase of the new bonds it may be the government itself which is paying him the premium for his gold.

Should he later change his mind, he may sell his bond for francs and buy gold on the open market; and the government itself will be there to make sure that there is gold for him to buy.

Let's Have a CONFERENCE!

By DICK ERICSON



"Herman Winkle wants the afternoon off. Er, uh, Johnson is his superior, isn't he? Better have him come see me, with Winkle. And Miss Howard, have Oliver Jordan find out the policies of, say, six other companies on this afternoon-off business."

"You say Winkle is compiling statistics on the Midwestern & Northern account? . . . yes, uh, huh . . . mmmmm . . . I see . . . Of course, we can't do anything on that account until October, but . . . but . . .

By the way, isn't Joe Buckley interested in that account, too? Miss Howard, see if Mr. Buckley can meet us in the conference room right away . . . with his assistant."



". . . that's the Midwestern & Northern picture. Now why can't I get the same cooperation on Paradise Amalgamated? I brought Granger along to outline a similar matter."



". . . all of which proves Buckley has a strong case. But let me remind you, gentlemen, that Jackson has the Hawkins Hairpin account practically, er . . . well, here he is now. Got my message, eh, Jackson? I was making the point . . ."



"Excuse the interruption, Jackson, but you have no problem there. Johnson, your man Herman Winkle should be able to get these figures together by four o'clock. Now, gentlemen, I suggest we recess for luncheon. We'll reconvene promptly at two. This afternoon I'm going to appoint two sub-committees that can confer . . ."



"Whew! Er, by the way, Miss Howard, what was the original purpose of this conference, anyway?"

GOVERNMENT BONDS

MURRAY OLYPHANT

A Good Try Goes Wrong

THE Treasury Department's effort to obtain a substantial amount of cash from other than banking sources through the offering of additional non-marketable 2½ percent bonds failed to get the support of those who had been expected to provide the funds. The final figures announced on June 5 revealed that only about \$1,750,000,000 of the new bonds would be issued as the result of the exchange of only about \$1,307,000,000 of 2½ percent bonds accompanied by \$450,000,000 of cash.

As there were \$14,750,000,000 of the 2 1/2s which might have been exchanged, the amount actually turned in shows that less than one in 10 of the holders felt that the exchange was worthwhile. Furthermore, even to arrive at the very modest figures reported it was necessary for U. S. Government investment accounts to turn in about \$392,000,000 of the 2 1/2 percent bonds and put up \$132,000,000 in cash. These accounts will somewhat improve their interest return, but the Government had the use of the money and could have issued special certificates to the various accounts so that from the standpoint of obtaining new funds to meet the deficit such transactions are futile.

Actually, instead of obtaining somewhere between \$1-billion and \$2-billion, the Treasury only got about \$318,000,000—somewhat less than a couple of weeks' sales of additional Treasury bills. The effort to tap investors' funds was entirely unsuccessful and the problem of where to get the billions of dollars needed to finance the deficit for the rest of this year without going to the banks and the Federal Reserve has been made more difficult.

There Just Wasn't the Money

Failure of the holders of the exchangeable 2½% to accept the new 2¾ percent issue was attributed to (1) dislike of their non-marketable character in spite of quick possible exchange for a five-year marketable 1½ percent note, (2) unwillingness to add to already very large holdings of the 2¾ percent bonds as the result of the exchanges made early in 1951, (3) something in the nature of a sit down strike for at least a 3 percent rate, and (4) a real lack of available funds for investment.

That the last was the case seemed to be proved by the pressure on the market prior to June 4 when payment was due. Other issues were being sold to provide the cash to take up subscriptions. Investment funds

have had no lack of new corporate and municipal media. The volume of new mortgages has been maintained above previous estimates. Savings banks, insurance companies and pension and retirement funds have remained pretty fully invested. Under the circumstances the Treasury offering had no appeal.

A popular argument is that a 3 percent fully marketable bond would have been much better taken. This is probably true. The Treasury would have received more money but at the expense of disturbing the market for corporate and municipal issues. What the Treasury got would have had to be taken from corporate capital requirements and would have increased the cost of such borrowings. If no pool of uninvested funds existed, a higher rate on a Government offering would merely have had the effect of pushing up long term rates all along the line.

More Money from Treasury Bills

In eight of the 10 weeks from April 14 to June 9 the Treasury put out \$200,000,000 more bills than were necessary to refund the successive maturities thus raising \$1,600,000,000 new money. By June 1 the rate had risen close to 1.75 percent and the market gave evidence of rather complete saturation. Further, the mid-June tax payments threatened the usual money complications so there was a temporary cessation in the offerings of extra amounts, but it can be confidently expected that the program will be resumed as soon as possible.

While Treasury bills ordinarily have been regarded as bank paper, it should be noted that probably two-thirds of the \$1,600,000,000 recently added to the amount outstanding found a home outside the banking system and chiefly in the portfolios of corporations where they are admirably suited for their tax reserve accounts.

Since 80 percent of corporate taxes on 1952 income must be paid in the first six months of 1953, it is pretty

Refunding of 1 $\frac{7}{8}$ % Certificates and New Issue of Marketable Bonds

On June 16 the Treasury offered a \$8,500,000,000 issue of 2½ percent six-year bonds. Commercial banks are eligible to buy them, but a bank's purchases were limited to an amount not larger than its combined capital, surplus and undivided profits, or 5 percent of its total deposits, whichever was greater. No restrictions were placed on the purchases of other investors.

The Treasury will use the proceeds to help meet the expected deficit. The financing is expected to cover Treasury needs until fall.

On June 11 the Treasury announced that holders of the \$5,215,000,000 1 1/8 percent certificates due on July 1 would be offered a new 1 1/8 percent certificate due June 1, 1953, stating that "this maturity date has been selected in order to keep June 15, 1953, open for tax anticipation bills." The 11-month maturity should assure a successful turnover of the maturing issue.

certain that the balance of 1952 will necessitate very large accretions to tax reserves. Primarily because of this outlook there have been estimates that three or four billion dollars more may be raised by the issuance both of larger amounts of the regular 91-day Treasury bills and—in due course—tax anticipation bills to mature March and June 15, 1953. On the showing to date, a large part of such financing would be obtained without recourse to the banking system and hence would be non-inflationary.

No Pressure on Federal Reserve Portfolio

During May the Open Market Committee of the Federal Reserve System stood on the side lines. On May 21 some Treasury bills appeared in the portfolio for the first time since early February and more in the following two weeks. These acquisitions were more than offset by sales of 1½ percent certificates until June 5 when the portfolio showed an increase for the first time since March 19, but the increase was entirely due to repurchase agreements with dealers in Government securities who were temporarily overloaded with bills. Between March 31 and June 5, during which \$1,600,000,000 of extra Treasury bills were issued, the Federal portfolio of Government securities actually declined \$150,000,000. So far so good, but it is not likely to be true much longer.

Market Sentiment Confused

The confident tone of the market during April carried through the first week of May. Thereafter the decision of the Treasury to put out more of the 2¾ percent bonds, rumors of a possible cash offering of an intermediate term bond eligible for commercial bank purchase and guessing as to how the \$5,215,000,000 1½ percent certificates due on July 1 would be refunded, considerably disturbed confidence.

Although the 2½ percent bonds 6/15/67/62 became eligible for commercial bank purchase on May 5 and almost reached 101 early in the month, subsequent sales exceeded demand. The approach of June 15 when the 2¼ percent bonds 6/15/62/59 could be bought by commercial banks was not able to offset sales of that issue. Similarly the four issues of 2½ percent bonds exchangeable for new 2¾'s instead of being bought seemed to suffer from selling to provide the cash for such subscriptions as were made.

Once the final results of the subscription were known and payment made on June 4, the market appeared to straighten itself out but net price changes from May 2 to June 9 showed declines as follows:

	Offer Price	Change for
	June 9th	Period
2½%	3/15/58/56	101-26/32
2¼%	9/15/59/56	—15/32 A
2¾%	3/15/59/57	101- 6/32
2½%	6/15/67/62	100- 8/32
2½%	9/15/72/67	98-25/32
2¼%	6/15/62/59	99-11/32
2¼%	12/15/62/59	99- 1/32
2½%	12/15/68/63	99-10/32
2½%	3/15/70/65	98- 9/32
		—22/32 D

(CONTINUED ON PAGE 93)

Investment Markets

H. EUGENE DICKHUTH

The author is a financial writer on the staff of the New York Herald-Tribune.

NEW public offerings of both bonds and stocks in May were remarkable as to size, but a third of a billion dollars worth of securities were reported unsold on dealers' shelves at the monthend.

New bond issues in May totaled \$1,022,147,000. It was the second largest aggregate for any month since 1926 and it was exceeded only by the \$1,051,520,000 offered in April. Ninety-two issues were brought out.

INDUSTRIAL offerings of \$210,000,000 of bonds and \$117,500,000 of railroad issues were the largest for any month since April and February 1946, respectively. These two categories, moreover, represented the greatest marketing for a May since 1926.

Public utility bond offerings declined. They were \$126,000,000 in May, compared with \$174,000,000 in April.

Stock offerings in May aggregated \$105,353,316, divided among 20 flotations, but last month's offerings were the largest for any May since 1946. In that month, 52 issues were placed on the market, comprising \$155,334,000.

May stock operations for new money compared with \$102,338,000 for 23 issues in April and with \$36,216,000 for six issues in May 1951.

Industrial stock issues in May were 105 percent above the April level, while public utilities flotations declined about 17 percent in the same period.

NEW stock financing in the first five months came to a total of \$507,965,000 for 86 individual flotations. This compares with only \$248,860,000 for 51 issues in the like 1951 period. Indeed, this year's stock offerings in the first five months were the largest since 1946, when \$572,541,000 in 179 flotations reached the market.

The fatigue in the underwriting markets is traceable to wavering stock quotations, to the uncertainties in the business picture and the inevitable doubts which arise in any presidential election year regarding the future.

UNDERWRITERS are also to blame, in part, for the stickiness of new securities. Offerings were not spaced too prudently and volume was not kept within the bounds of what the market could absorb under present conditions.

Of about 50 major common stock underwritings in 1951, more than 30 are now selling below issue price, as this is written. While new capital formation and pressure for investment of pension funds, insurance companies, and investment companies is steadily increasing, demand seems to have been below supply.

Thus, at the end of May undistributed new corporate securities in the hands of underwriters were estimated at more than \$100,000,000, and the unsold float of tax-exempt state and municipal obligations was approximately \$250,000,000. More planning is required.

METHODS and IDEAS

*Operating Procedures . . . Loss Prevention . . . Advertising . . .
Public Relations*

This department is edited by JOHN L. COOLEY of BANKING's staff.

Dual Control of Tellers' and Vault Cash

SEVERAL suggestions on this important subject are offered by R. ERNEST LIGHTBOWN, assistant auditor, THE MELLON NATIONAL BANK AND TRUST COMPANY, Pittsburgh.

There should be separate tellers' cash settlements and a teller should have sole access to his cash at all times, both in the cage and in the vaults, says this banker.

Currency in cages when tellers are absent or at lunch should be under lock and key.

When the teller balances his cash at the day's end, it should be placed in containers or vault departments over which he has sole control; it should not be commingled with other tellers' cash. A teller cannot have sole access to his cash if a proper container and lock are not provided.

No one should have access to tellers' cash, even in cases of emergency, except a designated official.

Mistakes or shortages cannot be pinned down to one employee when others have access to his cage and cash. The responsibility should be one person's.

There should be a double check of cash in and out of the vault. This is necessary for dual control and should be a requirement for full protection of cash.

Tellers' cash in cages or under control of one teller should be kept at a minimum. Excess cash of individual tellers should be turned over to the head teller at the end of each day.

A limit should be set on the amount of cash to be retained by the head teller. His excess cash should be placed in the vault under dual control of himself and an officer.

In some large banks individual tellers carry a relatively small amount of cash daily. Yet in some smaller institutions it has been observed that the amount was unreasonably large.

Down to the Good Earth

FIRST-CITY BANK AND TRUST COMPANY of Hopkinsville, Kentucky, gets its best advertising results from a "country column" published every



Masthead of the "country column" offered Hopkinsville, Ky., newspaper readers by First-City Bank and Trust Co.

Saturday in the hometown paper.

"It isn't a new idea," says Assistant Vice-president Robert H. McGaughey, who writes the copy, "but I believe it is one that never grows old with just plain, everyday folks who look for the down-to-earth items in the news."

The bank puts into these *Among Us Folks* ads "all the humor and human interest" it can find, Mr. McGaughey explains. "We do business in the largest agricultural county in Kentucky, and our farm folks seem to like to read human interest stories, as they apply them to the locale and neighbors.

"The ad was first designed to test readership. Results were gratifying—perhaps flattering—and we have now been publishing it weekly for almost three years. Our urban customers, too, have said that they look forward to seeing it.

"We do not hold the advertising theme to 'institutional.' We talk about all our services, in addition to many civic activities, including Red Cross, Future Farmers, 4-H Clubs, etc. Special holidays come in for frequent mention, too. For the

106 Defalcations

THE increase in defalcations—"the greatest single cause of bank failure"—has "grave implications" for deposit insurance, H. Earl Cook, director of FDIC, told the Independent Bankers Association. Reporting that 106 insured banks closed because of employee infidelity from the beginning of deposit insurance to the end of 1951, Mr. Cook said this number accounted for one-fourth of all bank casualties since 1934.

The 106 cases involved defalcations of nearly \$15,000,000; fidelity bonds amounted to less than \$3,000,000. "It is obvious," he commented, "that, like any other business group, banks have not escaped the moral laxity which has afflicted our national life."

most part we feel that this type ad is a fine medium for attacking the oft-spoken statement that banks are cold and unfriendly."

The commentaries cover a wide field, but usually there's at least one item which ties in the bank. Here is one in that category:

There perhaps is not a bank in the United States that does not pay itself the compliment of being "your friendly bank." On the other hand, the customers themselves will soon decide whether or not the bank is friendly. In recent days a local man sat here in the lobby of this bank and watched the line of customers at the windows, and later made this remark: "I note that the people, while they wait in line, chat with one another like it was Old Home Week. They seem to enjoy the chance to get together in a friendly atmosphere." Well, you know we at this bank feel that your stop at this bank is just like your stops at the grocery, the hardware store, clothing store, etc. . . . We want you to feel right at home at all times. We strive to make your every visit with us a pleasant one.

The FIRST-CITY also uses radio, billboard, farm paper, souvenir, and other forms of advertising, and has a "more dignified" ad in the local paper at midweek.

The Human Touch

HARRIS TRUST AND SAVINGS BANK of Chicago is running a new series of ads designed to express

The first ad in the new newspaper series being published by Harris Trust and Savings Bank of Chicago

The Essence of Money...

Money has a wonderful smell to it. Most folks don't have any trouble getting used to the odor.



An old crumpled bill has a rarer essence than any perfume—and more romantic. It has the essence of people, adventure, glamour...and the perspiration of many hands.

There's the tangy smell of the sea in that money...the mustiness of good dark earth ...little face powder spilled in a purse...a smudge of coal dust...tobacco aroma...the incense of a holy offering.

There's a value printed on the face of it...but that's like putting a price on a man's soul. That money you hold in your pocket today may have bought a marriage license yesterday...or a derelict's last meal. Who can measure those values?

Yes, you have to feel money with more than your fingers to know what it's really worth.

the bank's personality and philosophy by telling warm, friendly stories about money and people. Most of them point up a simple moral readily applicable to the reader's business or personal life.

President Mark A. Brown, in announcing the campaign, said:

Long ago we reached the simple

conclusion that money is all alike but people aren't. We have always kept close to the idea that every problem has a human base and a human solution and that people with problems like to deal with a bank which has the human touch.

People are different but we believe they have this in common. We believe that the firm, small or large,

Handling Return Items

CHARLES S. CONKLIN

The auditor of The First National Bank of Atlanta, Atlanta, Georgia, offers further suggestions for reducing the size of what he calls the "oceans of motions" in bank operations.

MICROFILMING return items eliminates the necessity of a description of them on the letter form when they are returned by mail. A manually operated machine is very satisfactory.

If the items are filmed, it is only necessary to enter on the form the names and addresses of the endorsers to whom they are to be returned, and the amount or amounts of the items. By using a multiple form, one copy will serve as the return item letter and may be inserted with the items in a window envelope for mailing. Another serves as a charge against the account, and a third is retained for use in conjunction with the microfilm for reference in case the item is lost or mislaid, or if other information is needed.

In many banks certain customers have items returned unpaid with considerable regularity. This is particularly true of accounts of correspondent banks which send cash letters containing a large number of items. By preparing a stencil for these accounts and using the stencils to pre-address the return item forms, not only will time be saved, but the possibility of typographical errors in names and addresses will be eliminated.

A supply of the pre-addressed forms sufficient for a week or more can be prepared in advance and kept alphabetically in an easily accessible

open file. The return items are sorted alphabetically by the endorsers to whom they are to be returned. The letters are written by placing the pre-addressed form in an adding machine and listing on the form all the items to be returned to that endorser. By using a two-register adding machine, the totals of each return item letter can be accumulated and the run total balanced when the letters are written.

Much effort and expense can be saved, with negligible risk of loss, if the return of checks for endorsement of the payee be restricted largely to cases where the endorsement is intended to serve as an acknowledgement of satisfaction of a disputed claim or to relatively large checks—say \$500 and over. Furthermore, a bank can certainly afford to take the small risk involved in guaranteeing the amount expressed in figures when there is a discrepancy of less than \$1 between it and the amount in words. By these simple expedients, a large percentage of the items returned for these reasons can be eliminated.

Heading New Ledger Sheets

When it becomes necessary to head a new ledger sheet, use of the regular statement stencil will insure accuracy and continuity of the information. One way that errors creep into the spelling of names and addresses occurs when a typewriter is used for the purpose of heading these sheets. Small hand model addressing machines are on the market at less cost than a typewriter, and if the stencils are kept accessible to the bookkeepers, they can be easily used each day as needed.

which needs to finance its operation, the widow who wants to be sure that her financial affairs are in honest and thoughtful hands, the young man with an idea who needs a few thousand dollars to get started, the person who likes to read his savings account book, all are human beings and respond to the warmth of personal attention.

These ads, which are sort of a show window or calling card, attempt to express that warmth which is genuinely felt by the people in our bank, all of whom have been brought up in this concept.

The copy does not attempt to sell directly the services of the bank. Ads are running every other week on the financial pages of the Chicago newspapers... The text of the first one is reproduced.

Time Payments for Life Insurance Premiums

HARTFORD (Connecticut) NATIONAL BANK AND TRUST COMPANY is offering a plan for "convenient monthly payments" of life insurance premiums.

It's working well—in fact, some of the agents with whom the bank discussed the plan prior to the announcement have become customers. And a special telephone service had to be installed to handle the inquiries that resulted from the first newspaper advertising.

The bank told the public:

"Here's all you do—

"(1) You sign a note for the total amount of your premiums for the year, plus bank charges at the Hartford National Bank's low rates.

"(2) Hartford National pays the premium on the policy as it comes due—at the annual rate."

"(3) You repay the Hartford National in convenient monthly installments over the 12-month period.

"(4) For this convenience, you pay only the bank's low rates. If you have been paying premiums on a monthly or quarterly basis, you may find the saving made by converting to the annual premium basis more than offsets Hartford National's low bank rates. In any case, this bank interest is *tax-deductible*; the surcharge for monthly or quarterly premium payment plan is not."

The bank's charges are \$3 per hundred on secured loans, \$5 per hundred on unsecured loans.

"Talk it over with your own life

A \$1,000,000 bundle of U. S. currency was a feature attraction at the open house held by Union Planters National Bank, Memphis, to celebrate its enlarged main office. More than 49,000 attended the festivities, marked by several popular contests. The bank's building now fills a quarter block, with large additions on two sides.



insurance agent," the Hartford suggests.

Accounts Receivable Financing

THE increasing need for credit by small or medium-sized businesses, together with other factors, has tended to reduce the high percentage of unsecured loans to total loans, says O. B. Freiberg, assistant vice-president, American Trust Company, San Francisco. Mr. Freiberg told a conference at the American Institute of Banking convention in Houston that in view of this trend, accounts receivable financing should be encouraged by banks as a normal method of credit.

The increased use of this financing as an accepted means of extending credit will tend to create its recognition as a sound and desirable credit service and give it respectability. It is particularly adaptable to the smaller or moderate-sized business with capable management, a promising outlook, and the ability to add to net working capital from profits.

Caution must be exercised, as financing may encourage over-trading. The management of the business may become overly aggressive, and without any reserve may become embarrassed by the failure of a large creditor, failure of orders to materialize or a drop in prices of inventory items.

Credit standards, therefore, should require a reasonable reserve in net working capital, and fixed assets should not be heavily encumbered. Basically, the moral risk must be excellent as a protection against fraud

and deception; and managerial ability must be capable, as evidenced by its business methods, adequacy of its records, character of the business, and type of customer.

Blueprint for a Birthday

THE BERWICK (Pennsylvania) NATIONAL BANK is ready to give other banks a blueprint of the extensive program for its recent 50th anniversary celebration.

Cashier J. Roy Blanning writes: "The assistance given us by bankers who had completed similar programs greatly facilitated our early planning. As I recall, some of the requests we made were prompted by articles I read in BANKING."

The BERWICK feels that to some extent it can return the favors thus received by passing along its own celebration plan to banks which are preparing for anniversary observances. Accordingly, it has prepared a "Summary of Plans and Events" covering its celebration and will, on request, send a copy to any banker "faced with the task of planning such a program."

On mimeographed sheets the BERWICK outlines its preliminary activities, schedule of events, preparation of the bank quarters, souvenirs and other material distributed, publicity, open house events, the anniversary banquet, and an appraisal of the results.

Letter-Number System for Filing Checking Accounts

CROCKER FIRST NATIONAL BANK, San Francisco, has released information on its method of number-

(CONTINUED ON PAGE 104)

Some Factors Influencing Bank Loans

CARLISLE R. DAVIS

The author, who is vice-president of the State-Planters Bank and Trust Company, Richmond, Virginia, is a member of the Credit Policy Commission of the American Bankers Association.

THE attitude of business management toward the economic outlook has changed a good deal in the past 12 to 18 months. The business viewpoint early in 1951 was influenced to a great degree by fear—fear primarily of two things. First, there was present the very real fear of all-out war with Russia, though there was a possibility, beginning in mid-1951, of some sort of a truce in Korea. Second, there was the fear of runaway inflation. Both fears are present today but, rightly or wrongly, they are not present to anything like the extent that was true in the late spring and summer of 1951.

Although we still appear no closer to peace or to a truce in Korea than we were a year ago, and though the European situation (and other situations as well) is still a highly explosive one, the fact remains that there has been no all-out war. This delay has increased the hope that such an eventuality will not take place and has caused the extreme fear to subside. This change has influenced our thinking on business problems.

Early in 1951, a very real concern was the fear of runaway inflation. This had been caused by the rapid rise in prices and the depreciation in the purchasing power of the dollar. The fear of inflation is still with us but today we are thinking mostly in terms of the conditions we will face some years hence. There is little anxiety for this immediate period as temporarily, at least, the forces of

inflation and deflation appear to many to be somewhat in balance.

These two fears—present to a great degree in late 1950 and early 1951—were responsible, at least in part, for much anticipatory buying by individuals, businesses, and municipalities, for inventory hoarding, and for rapid price rises; and these were reflected in substantial increases in bank loans. The public was concerned by the things which were taking place and so was the Federal Reserve System, which used its selective credit controls and other means to stem the inflationary current. The Voluntary Credit Restraint Program was inaugurated. The Federal Government exercised controls over salaries, wages and prices, and over materials. The anticipated expansion of defense spending and its effect upon the civilian economy were emphasized and had great influence upon the thinking of people.

There have been many things which have changed our thinking regarding this subject of inflation. To begin with, the Federal Government did not step up its spending as rapidly as we had been led to believe it would. Also we now have reason to believe that this will not reach the forecast peak of about \$65-billion a year, though by the end of 1952 it may be running at a rate of \$5-billion a month. This is still the strongest single force in our economy and is having and will continue to have a major influence on business conditions. The fact that actual expenditures are less than the original forecasts is interpreted by many as an indication that the military today may not be as fearful as it was last year of immediate all-out war.

Another most important factor has been the very high productive ability of our people. We had been

(CONTINUED ON PAGE 85)

Debt Compared with Capital and Surplus of All Manufacturing Corporations, by Quarters, 1949-1951

(in millions of dollars)

	DEBT*			OTHER			PERCENT DEBT TO CAPITAL	
	PAYABLE IN 1 YEAR	BANK LOANS		LONG TERM DEBT	TOTAL	SURPLUS		
		BANK LOANS	LONG TERM DEBT					
1949								
1st quarter	\$2,826	\$3,164	\$7,174	\$13,164	\$73,216	18.0%		
2nd "	2,196	2,945	7,535	12,676	74,334	17.1		
3rd "	2,258	2,649	7,955	12,862	75,667	17.0		
4th "	2,233	2,111	8,426	12,770	76,217	16.8		
1950								
1st quarter	2,279	2,046	8,519	12,844	77,480	16.6		
2nd "	2,081	1,952	8,472	12,505	79,834	15.7		
3rd "	2,517	1,896	8,403	12,816	82,131	15.6		
4th "	3,176	1,782	8,494	13,452	83,458	16.1		
1951								
1st quarter	3,910	1,872	8,888	14,670	85,521	17.2		
2nd "	4,260	1,997	9,474	15,731	87,980	17.9		
3rd "	4,717	2,360	9,444	16,521	89,440	18.5		
4th "	5,406	2,374	10,013	17,793	90,759	19.6		

* Excludes trade debt and tax liabilities.
Source: Federal Trade Commission.

How 752 Banks Use

Printed Advertising Material

JOHN B. MACK, JR.

MR. MACK is deputy manager of the American Bankers Association in charge of the Advertising Department.

THERE is probably no bank in the country that does not use some item of printed literature for advertising purposes. It might be a humble blotter or a folder on travelers' checks. But in one way or another, banks all recognize the importance of printed material as a means of communication with customers, prospects, and the public.

What kinds of printed material do banks use? How much do they spend for it? What good does it do? In an effort to find some current answers to these and other questions on the subject, the American Bankers Association's Advertising Department has just made a survey of 1,200 banks known to make planned use of printed literature.

So far, 752 of these banks have supplied the information about their use of literature. This is a résumé of what they have told us.

Average Expenditure Is 24% of Budget

The amount spent by banks for printed material, excluding mailing expenses and salaries, averages about one-quarter of total expenses. Applied to the national total of commercial bank advertising expenditures for 1952, estimated at \$48,000,000 by the A.B.A. Advertising Department, this would mean about \$12,000,000 spent for printed advertising. However, it is difficult to make an estimate because of the wide range of these expenditures. Here are some of the percentage expenditures mentioned most frequently:

% of Budget	Number of Banks
5%	60
10%	151
15%	69

% of Budget	Number of Banks
20%	71
25%	84
50%	53

Almost every possible percentage figure was mentioned, including 26 banks that spend less than 4 percent of their budgets, and two banks that spend 100 percent.

Subject Matter

Several dozen banking services were listed by these banks as subjects featured in printed material. The top 10, in order of frequency, are:

(1) Loans	482
(2) Checking	452
(3) Savings	448
(4) Safe deposit	191
(5) Educational	149
(6) Informative	132
(7) Trust	119
(8) Bank-by-mail	83
(9) Travelers' checks	49
(10) Bank services	39

Types of Material

Banks use every type and description of printed material to one degree or another. However, the conventional forms are in widest use, and were mentioned in this order of preference:

(1) Folders	534 banks
(2) Inserts	355 banks
(3) Blotters	335 banks
(4) Booklets	275 banks

Other forms mentioned in substantial numbers were calendars, printed letters, match books, bulletins, house organs, and newsletters.

Distribution

Methods of distributing literature by banks follow a general pattern. To date there has been little disposition on the part of bankers to make special mailings, maintain careful prospect lists, or use door-to-door or other special distribution.

These are the means now used:

(1) Statement enclosures	512
(2) Direct mail inserts	349
(3) Lobby distribution	261
(4) Teller distribution	46
(5) Special mailing lists	26
(6) Annual statements	16
(7) Schools	9
(8) Personal contact	7
(9) Officers' desks	4
(10) Door-to-door	3

Sources of Material

More and more banks are retaining agencies to handle all phases of their advertising. Many small banks still rely on material from outside sources. Here is where banks say they obtain their printed advertising material:

(1) A.B.A.	482 banks
(2) Own agency	246 banks
(3) Supply firms	219 banks
(4) Write their own	130 banks
(5) Free commercial literature	14 banks
(6) Local printer	14 banks
(7) Government agencies	13 banks
(8) Other sources (including FDIC, PBA, FPRA, state associations, etc.)	21 banks

Does It Pay?

That is the \$64 question. Anyone studying bank advertising quickly runs up against the fact that there are few statistics available on results.

Perhaps this is because of the nature of a bank. As a service institution there is first the job of keeping the bank's name in the front of people's minds. But how can you say that a certain folder or advertisement is effective in doing that?

Then too, in the offering of specific services, such as personal loans, the need for cash might not even exist on the day a prospect receives a bank mailing. But one month later an emergency arises and the pros-

pect borrows from the bank. Yet this "sale" would seldom be traced to the folder.

We thus have two obstacles that stand in the way of accurate evaluation of bank advertising results: One, the intangible service we offer; two, the fact that the need for many of the services we offer does not exist at the time of our offering.

Bank advertising has to be evaluated on a long-range as well as immediate basis. That is not to say that we should not insist on full value for every advertising dollar we spend. Unfortunately this difficulty in evaluating returns has led to a lot of poor bank advertising.

Many advertising proposals to banks are prefaced by the remark: "Of course, you shouldn't expect any direct results." That is just eyewash. While there may be *futurity* in the action we obtain, there should be definite results from all advertising at least in the *minds* of people if not in immediate action.

Printed Material Rates High

Against this background, printed literature occupies a highly respected place in bank advertising. The nature of our banking subject matter lends itself to print.

Trust service, for example, cannot

be described and sold by a slogan, a newspaper ad, a billboard or a spot announcement. It requires a certain amount of "telling" and that is the job of printed literature. As expressed by R. W. Stanley, manager, advertising department, The First National Bank of Boston: "Other methods may give the information wider distribution, but none can make such a great amount of detailed information easily available."

Lists of services, rate charts, educational material, procedures for handling banking matters, all of these require lots of words, pictures, and time to study. These are features of printing that are offered in like degree by no other medium of communication.

The consensus is that printed material pays off as a form of advertising, but that results are nearly always difficult to trace. Frequently mentioned exceptions where results are traceable are Christmas Club accounts, trust services, and consumer loans. A minority of the banks stated that they receive little or no gain value from the use of printed material.

Coordinate with Other Advertising

There is general agreement that printed material is most effective

when coordinated with other advertising of the bank.

A good advertiser doesn't rely on one medium, such as radio, newspaper, or direct mail. There may be exceptions where the market is extremely limited, such as selling international-class yachts. But in selling consumer goods and services, it is a time-proved method to bring pressure from every angle—newspaper, radio, direct mail, display, and so on.

Ideal for Customer Relations

By far the great bulk of bank printed matter is used to contact present customers. Statement inserts and lobby distribution are far and away the most popular methods of distribution.

An analysis of thousands of pieces of printed material used by banks during the past year reveals clearly that present customers are the mail target for printed bank advertising.

One reason—and sort of a left-handed one—is that customers are easier to reach. The statement is a simple means of distribution and the lobby is even easier. But that is not to say that because these methods of distribution are easy to use they are also the best.

(CONTINUED ON PAGE 89)

Some typical examples of printed material issued by banks and included above are those of the First National Bank of Atlanta; National Bank of Commerce, San Antonio; National City Bank of Cleveland; Marine Midland Group; State Street Trust Company, Boston; Second National Bank of Washington; First National Bank of Boston; United States Saving Bank, Detroit; Security-First National Bank of Los Angeles; American National Bank, Chicago



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FAMILY DOLLAR

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BANKING'S FINANCE FORUM

Experts Discuss the Day's Home Circle Problems

TAXES

What methods are available to a father who desires to have his son or children take over his business?

Answered by
J. K. LASER,
tax expert and
author of popular books on taxes.



OF the many ways to effectuate this disposition, the private annuity method offers distinct advantages. The father transfers the property for his son's promise to pay the father an annual income for the rest of his life. The annual income is set at a figure which will have the same actuarial value as the present value of the father's property. There is neither gift nor estate tax liability. The father buys more income this way than if he sold the property and used the proceeds to buy an annuity from an insurance company. No capital gains tax will eat into capital available for life income.

From the annual payments re-

ceived by the father, he deducts the tax he pays on 3 percent of the value of the property; the balance comes to him tax free until he recovers the full cost of his property.

After that, payments are probably subject to the capital gains tax until recovery of the value of the property at the time of the transfer. Further payments are fully taxed as ordinary income. The son pays a full tax on the business income, with no deductions for the annual payments made to the father, just as if he had bought the business on terms.

Compare this annuity for property transfer with the usual methods:

The father leaves the business to his son by will. All the income from the business is fully taxed to the father up to the time of his death, with an estate tax payable then.

The father makes an *inter vivos* gift. From then on the father loses the income and a gift tax is payable. The father sells the business to his son at its fair market value. The father pays a capital gains tax. If the price is less than the fair value, there is a taxable gift.

ESTATES

Can you give me a general idea of the investment policies of trust institutions?

Answered by
GILBERT T. STEPHENSON, retired Director of Trust Research, The Graduate School of Banking.



IF the creator of the trust gives in his trust agreement or leaves under his will investment instructions, the trust institution will follow those instructions to the letter so long as doing so does not, in its judgment, defeat the purposes of the trust. If it thinks that those instructions, if continued to be carried out, will defeat the purposes of the trust, the trust institution will not itself make the decision but will take the matter to the court and ask it to change the investment instructions to keep from defeating the purposes of the trust.

If the creator of the trust, either by silence or by express provision in

his trust agreement or will, leaves the trust institution free to use its own judgment in making and changing investments, it will select only such investments as a prudent man would select, not for himself, but for his wife or children or other persons dependent upon him, having in mind both the safety of the principal and the regularity and reasonableness of the income. It would diversify so as to spread the risk. It would study and be influenced by the duration of the trust, the needs and characteristics of the beneficiaries, the prevailing economic conditions locally, nationally, and now internationally. While it would not try definitely to keep up with the purchasing power of the dollar, it would be influenced by the purchasing-power needs of the beneficiaries.

A trust institution's general investment policy is in the spirit of the proverb, "It is better to be safe than sorry," and this means safe for the income beneficiary and the principal beneficiary as well as the trust institution itself.

LIFE INSURANCE

Do you advise life insurance for families which have fair-sized savings accounts and are conservative?

Answered by
DUDLEY B. MARTIN of the Institute of Life Insurance, New York City.



CERTAINLY do—although obviously without further details about the circumstances of these families, there is no way of saying how much life insurance they should have.

The question seems to contain a contradiction because families that are conservative do own life insurance.

A fair-sized savings account is always desirable to provide a cash reserve for living, and the building of a savings account in a bank is the conservative way to create such a reserve.

But families also need a reserve against dying, and the conservative way of providing for the financial expenses that accompany death and for the replacement, in part of the

income that stops at death is life insurance.

PERSONAL FINANCES

Under what circumstances does a widow, without minor children, get Social Security benefits?

Answered by
MARION E.
MATTSON, assistant cashier,
Northwestern National Bank
of Minneapolis.



ONLY if a widow has attained the age of 65 does she draw Social Security benefits. She will then get monthly benefits for life regardless of her husband's age at the time of his death under the following circumstances:

If he died fully insured

If she has not remarried

If she was living with or being supported by him when he died

If she is not earning over \$50 monthly on a job covered by the Social Security Act (no limitation on earnings after age 75)

If she has applied for benefits at her local Social Security Office

If she becomes widowed prior to July 1, 1952, and her husband had been a fully insured individual (one who has worked for 40 quarters) at a maximum average monthly wage, she would receive \$51.40 monthly benefits. If she becomes widowed after June 30, 1952, and her husband had been a fully insured individual (one who has worked for 6 quar-

ters) at the maximum average monthly wage, under provision of the new law which became effective January 1, 1951, she would receive \$60 monthly benefits.

In order to figure the benefits to be received, two formulas are used in the computation—the "new start" formula and the "back to 1937" formula. For example, in using the "new start" formula, 50 percent of the first \$100 of average monthly wage is taken plus 15 percent of the remainder of the average monthly wage up to \$200 to arrive at the primary benefit. If \$300 is the average monthly wage, 50 percent of \$100 or \$50 plus 15 percent of \$200 or \$30 equals \$80. Thus, a widow at 65 would get three-quarters of the primary benefit or \$60.

In addition, she would get a lump sum for burial expenses, regardless of age, equal to three primary benefits, which in the above case would be \$240 provided she was living with the husband at the time of death, that he was fully or currently insured when he died, and that a claim had been filed at the local Social Security Office within two years after husband's death. Otherwise, the person who pays the burial expenses receives the lump sum payment for burial expenses.

The instrument which measures to the 5,000,000th of an inch would be very handy in parking a car.

In answer to the question of how much sleep the average person wants, we would say—just another five minutes.

At a luncheon preceding a women's finance forum sponsored by the St. Joseph Bank and Trust Co., South Bend, Ind. L. to r.: Vice-president T. W. Pearce, who arranged the series; Dr. Ruth Alexander, economics lecturer and writer; and President B. K. Patterson



Self-Pensioning for Self-Employed

EARL S. MacNEILL

MR. MACNEILL, a vice-president of the Irving Trust Company, New York, contributes to this article his viewpoint also as vice-chairman of the Real Property, Probate and Trust Law Section of the American Bar Association.

At least 11,000,000 people in the United States should be cheering for the Keogh-Reed bills now before the House of Representatives. They are identical bills, one of the sponsors being a Democrat and the other a Republican—which testifies to their bipartisan nature. Who make up the 11,000,000?

Why, all the self-employed people: farmers, doctors, dentists, lawyers, accountants, architects, engineers, writers, actors, brokers—the list could fill pages. Add also to the 11,000,000 all people employed by others who provide no pension or other retirement plan, or whose plan is inadequate.

Strange, is it not, that a plan permitting tax-free savings for the "rainy days" of old age on so comprehensive a scale should virtually escape the general public's notice? Yet it is not a new plan. The bills—and for simplicity's sake we'll refer to them as a single bill hereafter—were—or was—introduced in the House last year; and Senator Ives introduced a similar bill in the Senate as a rider to the Revenue Act of 1951; the amendment died in committee "for lack of study." Real study has begun in the House, however. Notably, on May 13 of this year a full-dress hearing was held by the Ways and Means Committee, and representatives of many arts and professions supported the bill.

How Self-Pensioning Works

First requirement is membership in a *bona fide* agricultural, trade, or professional group, such as a grange, labor union, bar, or medical association. Objections were registered to this and it may be dropped.

But, as the bill now stands, any member of such a group may pay into a trust fund, sponsored by the group, any amount he chooses in any one year, provided it does not exceed 10 percent of his earned net income, or \$7,500, whichever is the lesser; and such amount for Federal income tax purposes shall not be included in his gross income for the year. The trustee must be a bank; investments must be legal if the state in which the bank does business has a legal list; the income of the trust will be tax-free. Each contributor's share will be treated very much like a participation in a common trust fund in that the value of his share, including income accumulations, remains identifiable.

A price is paid for the feature of tax exemption: Withdrawal cannot be made until the participant attains age 60—or sooner dies or suffers total and permanent disability. On retirement, payment may be made under one of three options: A lump sum; in annual instalments over a period of years; by purchase of a single-premium, noncommutable life annuity contract with or without minimum-payment and survivorship features.

If payment is made in a lump sum, it is treated as

a long-term capital gain. Instalments and annuity payments will be taxable as ordinary income when received.

Self-employment is not a requirement. Wage earners and salaried employees may contribute under appropriate sponsorship. If they are already participants in plans provided by their employers, allowance must be made for employer contributions in computing the maximums contributable to the "outside" plan.

The Bill's Chances

This is not the department of prophecy. Few believe that the bill will pass this year. Its proponents have confidence that it will eventually become law, particularly as it is improved by research and discussion.

Original sponsors of the measure were groups of lawyers: committees of the American Bar Association, the New York State Bar Association, and the Association of the Bar of the City of New York. So localized was the sponsorship, at first, that it was viewed erroneously by many as a lawyers' pension bill. Enemies of the bill assailed it as class legislation—favoring the rich. Impressive evidence that the professions are not "the rich" was supplied by the American Medical Association, which has rallied to the bill's support. If the average physician waited until he was 70 to retire, his monthly pension, under the bill, would be \$208; the average lawyer's would be \$146 and the average dentist's, \$140. No luxury there!

Not only the lawyers and doctors but many others appeared, through their representatives, at the Ways and Means Committee hearing—accountants, life underwriters, engineers, investment counsel, farmers, actors, musicians, radio and television performers, and chorus girls. All approved in principle; a few suggested changes. Thus, the insurance men hoped that the tax-excludable feature might be extended to deferred annuities directly purchased from the insurance companies without the intermediate step of accumulation through a trustee fund. (This seemed acceptable, provided some restrictions could effectively be placed on the premature cashing-in of the annuities.) Other suggestions related to a lifetime limit on accumulations—at some such figure as \$150,000; to a special rule for contributors over 55 years of age at inception of the plan, which would enable them to contribute proportionately more since they have less time in which to accumulate; to broadening of the investment limitation; to provide carry-over privileges so that professional people whose incomes fluctuate might maintain a relatively even flow of deductions over the years.

People in trust business will follow the progress of the Keogh-Reed bill with keen interest. The opportunities for extension of trust service to responsible professional people on a mass basis are in the aggregate enormous. A special drafting committee in the section of real property, probate and trust law of the American Bar Association is working on preparation of a model plan and trust agreement which will be made available to members of the section when (and if, of course) the Keogh-Reed bill or its equivalent becomes law.

Single Debit System for Mortgages Serviced "Outside"

THE Bowery Savings Bank of New York City has developed a simplified accounting method for its outside-serviced FHA and VA loans on private dwellings. Known as the "single debit system," it is primarily of interest to large banks that farm out substantial blocks of these loans among servicing contractors or agents.

"As the name implies," says Assistant Vice-president Fred K. Cordes, "we set up on our books single debits for blocks of loans rather than an individual debit for each loan. While it may seem that the single debit system is complicated, actually the operation is simple."

After using the new method for about a year, the Bowery finds that it has reduced internal servicing costs, recovered valuable filing equipment and space, put mechanical equipment to other uses, reduced audit detail, and obtained a control of principal amortization due monthly.

"Any bank that has a volume of small FHA and VA loans serviced by contractors would benefit, I believe, from a review of its internal accounting procedure for these forms of credit," Mr. Cordes asserts.

Here's his explanation of the single debit system:

(1) Contractor A services 300 FHA loans—100 with interest at 4 percent, 100 at $4\frac{1}{4}$ percent, and 100 at $4\frac{1}{2}$ percent.

(2) First, determine the amount of principal outstanding in each category. The number of loans and the unpaid principal in each group is set up on separate control sheets.

(3) Then determine the constant monthly amount due on each loan for principal and interest within each control and post the totals to control sheets.

(4) On the first of the month the principal in each control is multiplied by the rate on a 30-day basis. This result, which is the interest due, is set up on an "interest and principal due" ledger sheet, which is in effect an account receivable. A

separate ledger sheet is set up every month by rate, type of loan, and agent or contractor.

(5) Within each control, the interest due is deducted from the constant monthly payment to determine the principal due. This figure is set up in a separate column of the ledger sheet.

(6) "We now have," Mr. Cordes explains, "a control of number of loans, amount of unpaid principal, amount of constant monthly payment due, principal amortization due, and interest due. Under the old method, 300 separate calculations would have been made—300 interest debits would have been set up on 300 cards. Under the single debit system the monthly calculations for these loans have been reduced to six: two for each of the three controls, the first a multiplication of the principal by the interest rate, the second the subtraction of the interest from the constant monthly factor to determine principal due."

Contractor's Report

(7) The contractor reports monthly, on his own remittance form, the amount of principal and interest collected on each loan. The remittance is submitted to the bank in the usual way, with one exception: Whereas formerly the contractor remitted by rate so as to calculate his servicing fees conveniently, he now also splits the groups by type of loan to correspond with the bank's controls.

(8) When the mortgagor pays more than one month's principal and interest, the contractor reports each month's payment separately on the remittance sheet. Within each rate control the bank posts from his remittance to its ledger sheets the amount of interest and principal collected for each due date. The total principal collected for all due dates, within each rate control, is posted to the total principal control maintained for each contractor.

(9) After the collections have been applied against principal amor-

tization and interest due, any balance left in a control represents arrears. The single debit method has enabled the bank to follow up arrears a week or 10 days sooner than was possible under the former accounting method. Again using the 300-loan example, the Bowery formerly set up the 300 individual debits; then, on receipt of the contractor's remittance report, it posted the detailed collections as individual credits against the individual debits. Debits not canceled by credits represented arrears. These items were sent to the agent with a letter asking why payments were delinquent. Usually a week or more elapsed before the bank received the explanation.

Under the single debit system the Bowery gives the contractor a duplicate "statement of arrears" form. He uses the original, about the 23rd of the month, for his collection report, and it is reconciled with the control of principal and interest due but unpaid. The second copy is submitted on the month's last business day, and states the reasons for delinquency, what action is being taken to collect, the contractor's recommendations, and notations of items paid since the 23rd. The third copy goes to the contractor's own records.

"These monthly statements," says Mr. Cordes, "provide a convenient tool to measure collection efforts by comparing the current arrears list with previous lists. The contractor is also furnished with an accurate accounting record of arrears."

(10) Payments made ahead of schedule are set up in prepayment controls by due date.

(11) The contractor submits a list of the unpaid principal balance of each loan with his remittance report. The balances are listed by controls—type of loan and interest rate. This trial balance is reconciled, by control totals, to the bank's controls of unpaid principal.

The contractor is required to submit a trial balance, which is the only complete record the bank has of unpaid balances.

Better LAYOUT—Less OUTLAY—V

The Clerical Areas

FORDE STEELE

In previous articles in this series (*October, December, February, May*) the author has discussed design and layout of banking quarters, the lobby and administrative areas, lighting, and the teller's window and counter. Mr. STEELE is assistant vice-president of the Central National Bank of Cleveland.

IN far too many banks, the bookkeeping, proof, and other clerical functions have been crammed into whatever bits of space are available back of the teller and administrative areas. In some cases great care has been devoted to making customer quarters attractive, but with little attention given to providing comfortable, efficient clerical areas. Inefficient or inaccurate work by clerical workers can lose more customers for the bank than decorative and comfortable lobbies and administrative areas can bring in. That well designed clerical areas produce an increase in efficiency and morale can no longer be denied. It is to the credit of our profession that more and more bankers are taking effective steps toward modernizing and humanizing these important parts of the bank.

Does Your Bank Have Adequate Space?

A quick check on the adequacy of the total space used by your bank can be obtained by using the following formula: One hundred square feet times number of persons working in the building, plus lobby and vault space, equals the approximate overall area required, including private offices, file rooms, corridors, aisles, and storage space. However, this rule-of-thumb standard varies from bank to bank depending on type of equipment used, variety and kinds of banking functions per-

formed, and general policies of spacing and furniture arrangement. This formula does not provide for rest rooms, stairwells, or elevators.

Planning the Layout for New or Remodeled Quarters

(1) **Select a Person to Supervise the Operation**—Whether or not a bank has a building department or building superintendent, a person with a considerable knowledge of the internal operations of the bank should be selected to perform this work or to supervise it closely. This person should be given sufficient authority to make necessary decisions. He should have the courage to defend the principles of sound layout except when they interfere with good banking practices or efficient work-flow.

(2) **Analyze Workflow**—Before clerical areas can be laid out effectively, it is necessary to analyze the work flow and study the tasks of the people who are to occupy the space. While it is not necessary to cover all duties of individual employees, a knowledge of the nature of the operations performed in the department, the movement of work from one person or department to another, and an organization chart showing the responsibilities of each executive or supervisor will be helpful.

While the flow of work may not seem as important in a bank as it is in an industrial manufacturing plant, much time can be saved by so arranging departments or desks that work will flow from one to the other with a minimum of travel.

A tremendous amount of time can be saved merely by eliminating the necessity for employees to rise from their desks and walk to others' desks to obtain or deliver work for processing. A layout which eliminates this "time away from work" pays

big dividends in reduced expenses.

(3) **Inventory Furniture and Equipment**—An inventory of all furniture and equipment should be prepared, giving the dimensions of each article. This inventory can be prepared either as a tabulated list or drawn into a layout of the present floor plan. This process is facilitated if a permanent inventory is maintained whereby each piece of furniture and equipment is numbered by means of decals or small metal or plastic plates. The permanent inventory is valuable for accounting and insurance purposes if a card is set up for each item showing the value, the date of purchase, and the depreciation rate.

(4) **Determine Space Required for Each Department or Function**—While people can work in a bank which, from necessity, crowds desks and machines so close together that the personnel director must not hire anyone over size 12, adequate spacing of furniture and equipment pays dividends in efficiency and morale. The space required for persons performing specific duties will vary from bank to bank, depending on types of equipment, procedures, and general policies. However, the following have been found adequate in the writer's bank. The space indicated does not provide main aisle space but does allow enough space for supervisors and operators to move around bookkeeping machines.

	Sq. Ft.
Tellers (5' counter x 10' deep)	50
Bookkeepers (including bookkeeping machine, check or posting desk and ledger tray)	50
Proof machines	50
Adding machines on stands	30
Clerical workers	50 to 60
Supervisors (open area)...	75 to 100
Department managers (open area)	100 to 150



BEFORE AND AFTER

While this is not a banking office, it represents the banking problem. The picture at the left shows the combination clerical and bookkeeping department of the Pennsylvania Telephone Corp. office in Erie before modernization and rearrangement for better spacing, lighting and other factors. The other picture shows what was accomplished.

Department managers
(private office) 120 to 150

Aisles between desks or between desks and walls may vary between 2½ feet and 5 feet, depending upon the amount of traffic. The distance from the front of one desk to the back of the next should be no less than 3 feet. If persons must walk between the desks while the occupant of the area is at his desk, 4 feet should be allowed. If it is necessary to place a desk facing a wall, there should be at least 3 feet between the front of the desk and the wall.

Between 4 and 5 square feet will be required for each letter or legal-size file, depending on the amount of activity.

Using the above figures, the area required by each department and function can be determined. The sum of these plus lobby, vault, corridors, stairwells, restrooms, elevators, and including space for anticipated expansion equals the total area required for the bank.

(5) **Allocate Area to Departments and Functions**—After the amount of space needed for each department has been determined, including an adequate allowance for expansion, each department must be located in the space which will enable it most effectively to perform its functions. In arranging this, one must keep in mind the necessity for public access, the flow of work, and the type of equipment.

For example, some banks make

the mistake of placing the auditor in the most inaccessible part of the bank, under the assumption that his work is entirely within the bank. Modern audit practices demand that the auditor have frequent and easy contact with the public. In one bank, a person wishing to visit the auditor must walk through the teller area, and would have easy access to some teller's cash if he should desire. In another, the proof department is located on the fourth floor, while the bookkeeping department is on the main floor back of the tellers' cages. Because of this arrangement, proof clerks must travel down to the tellers' cages to pick up deposits and then carry all of the checks and deposits down again for posting. In addition, the transit checks travel up to the fourth floor and down again before they leave the bank. Reversing the location of these two departments would have many advantages, including these:

(a) Audit control would be improved because tellers and officers would not have such easy access to the commercial books.

(b) Time would be saved because account information usually can be obtained more quickly by phone than by walking to the ledgers.

(c) Work flow would be more efficient.

(d) Messenger time would be saved since transit checks would be processed only on the ground floor.

To facilitate effective supervision, employees should be placed near the



The clerical supervisor's office

person having authority over them. Employees who are required to leave their desks frequently to visit other sections of the bank should be placed near the exits of their respective departments. To keep the number of partitions at a minimum, file cabinets and other suitable furniture are very effective as barriers to segregate clerical activity. Permanent partitions should be avoided whenever possible. Wood, metal, or other movable partitions should be used if conditions will permit. By the use of wood, metal, or other movable partitions, expanding departments or functions can be accommodated or rearranged economically.

(CONTINUED ON PAGE 98)



Key figures in the farm credit feature of the National Farm and Home Hour broadcast over WNBC on May 24. Left to right, Mr. Brown, Mr. Judd, Mrs. Harry M. Swansey, Dr. Jesness, Mr. Swansey, and Emcee Everett Mitchell

News for Country Bankers

The material in this department is edited by MARY B. LEACH of BANKING's staff.

Farm Credit on the Air

FARM credit was the theme of a recent National Farm and Home Hour on the National Broadcasting System. At the request of the sponsors, the Agricultural Commission of the American Bankers Association collaborated in writing the script and in obtaining speakers.

Among those having a hand in the script-writing were: A. G. Brown, A.B.A. deputy manager and Commission director; Edgar T. Savidge, Commission secretary; and Dwight J. Townsend, assistant director, A.B.A. News Bureau.

The panel was composed of Harry M. Swansey, vice-president and farm representative of the First National Bank of Joliet, Illinois; Dr. O. B. Jesness, chief, Division of Agricultural Economics, University of Minnesota, St. Paul, and consultant to

the Agricultural Commission; and Lewis Judd, Joliet farmer and customer of Mr. Swansey's bank.

The script highlighted the services rendered to farmers by their country banks.

Tellers' Do's and Don't's

SINCE copies of a new study, *Bank Tellers' Do's and Don't's*, were mailed to each American Bankers Association member bank a few months ago, complimentary letters received from bankers located in every section of the country indicate unusual success for the booklet in line with the objectives of the study. It is intended as a guide to experienced tellers, training aid for inexperienced tellers, guide to officers and supervisors, and reference guide for those conducting staff conferences.

As an illustration of one of its most beneficial uses, Giles H. Miller, Jr., president of the Culpeper National Bank of Culpeper (Va.), and

chairman of the Piedmont Clearing House Association, reports on the use made of the manual at a recent clearinghouse meeting at which a panel discussion was held. The panel, which was led by Mr. Miller, included a representative from each of the six member banks. An election was held by the employees of each bank to select a teller to represent that particular bank on the panel. The panel included: Gladys Beahm, State Bank of Madison; George P. Beard, Jr., Second National Bank of Culpeper; Edwina A. Carley, The Culpeper National Bank; H. Q. Coward, National Bank of Gordonsville; Mrs. Calvin N. Davis, National Bank of Orange; and Frances H. Sims, Bank of Greene, Inc., Standardville.

Mr. Miller reported as follows: "I might say that the comments that we received following the program indicated a good deal of interest on the part of the officers, directors, and employees. The booklet was certainly full of material and we

only covered about half of the material. One of the directors of another bank told me it was the best program that we have ever had at these clearinghouse meetings. It is planned to cover the remainder at a later meeting."

Mr. Miller is a former member of the Country Bank Operations Commission of the A.B.A.; was 1951 president of the Virginia Bankers Association; and is presently a member of several A.B.A. committees, including the Executive Council.

Aside from the 17,000 copies of *Bank Tellers' Do's and Don'ts*, which were distributed without charge to members of the A.B.A., nearly 1,800 banks have ordered and paid for over 16,000 additional copies, with an average of 9 copies per order. These additional copies are available at a cost of \$1 each.

Florida's Forestry Tips

THE forestry committee of the Florida Bankers Association, in cooperation with the Florida Forest Service, has developed "Six Roads to Forest Profits," a small folder devoted to "pocketbook angles" of growing trees.

For information about how to reach their nearest Forest Service representative, farmers are referred to their local bankers. They are given a list of district foresters. Signatures of distributing banks may be imprinted on the folder.

238 PCAs Farmer Owned

OF the 500 Production Credit Associations extant at the end of 1951, 238 were entirely farmer-owned, according to the PCA's new summary of operations for 1951.



The Piedmont Clearing House Association's panel on *Tellers Do's and Don'ts*. Left to right, Miss Carley, Mrs. Sims, Mr. Coward, Chairman Miller, Mrs. Davis, Mrs. Beahm, and Mr. Beard

Sixty-two associations retired all Government-owned capital during 1951.

Government-owned capital in the remaining associations stood at \$11,370,500 on December 31, having been progressively reduced from a peak of around \$90,000,000 in 1934.

More than 471,000 farmer-stockholders owned capital stock in the PCAs amounting to \$82,911,000 at the year-end. Accumulated earnings in the associations at that time amounted to \$72,421,000. During the year the PCAs made over 284,000 loans, representing total credit extended of \$1,320,000,000.

Forestry Cartoon Booklet

AN attractive new cartoon booklet on forestry conservation—*A Visit to the Forest With Woody*—is being distributed by the American Forest Products Industries, Inc.*, and is available from local Keep Green headquarters in most areas.

It's a 48-page, two-color, pocket-

*1319 18th Street, N.W., Washington 6, D.C.



A scene from *A Visit to the Forest With Woody*

sized booklet using comic strip technique. Theme: Woody takes Jimmy and Jane for a walk through a tree farm.

Louisiana Farm Clinics

FINANCING grassland farming in a diversified agriculture was thoroughly explored in all its phases by some 1,000 bankers, farmers, farm youth, and agriculturalists at the five annual farm clinics sponsored throughout Louisiana by the Louisiana Bankers Association, Louisiana State University, and the Federal Reserve banks of Dallas and Atlanta.

A highlight of these meetings was the presentation of 370 "certificates of merit" to outstanding 4-H Club and Future Farmers of America members by Frank E. Patenotte, LBA president, who is vice-president of the Guaranty Bank and Trust Co. of Amite.

These certificates are presented annually to farm youths in recognition of the economic contribution they have made to the progressive way of life in their communities. Each club member, outstanding in his own chapter, is the guest of his local banker for that day. Banker representation was exceptional with 110 of Louisiana's 166 banks being represented by executive officers.

Farms exemplifying successful grassland farming were the sites for each meeting's morning program. Following a luncheon, the group assembled for the presentation of certificates and a panel discussion of grasslands and livestock farming led by Kenneth Garvin, manager, agricultural department, Commercial National Bank in Shreveport.

(CONTINUED ON PAGE 60)

Farm Land Prices Advance at Slower Pace

FARM land prices may be slowing up again after having reached a new high. The U. S. index of farm real estate values was 211 (1912-14 = 100) as of March 1. While this was 9 percent above the index of a year ago, it was only 2 percent above the November index of 206. These indexes are based on a release by the Bureau of Agricultural Economics.

Land values weakened generally in the West during the past year, declining 2 percent in the Mountain region and 1 percent in the Pacific region. The downturn was largely confined to irrigated lands, although there is a continued demand for dry farm land in the wheat sections of Washington and parts of Colorado.

Land values continue to advance moderately in most other sections of the country, but there are two areas which show increases above average. One of these extends through the middle portion of the nation from North Dakota to Texas and includes Missouri and Arkansas. The other includes most of the states on the Eastern Seaboard from New Jersey to Florida.

Sizable gains in farm income due, in part, to a good wheat crop and increased receipts from livestock affected prices in North and South Dakota. While the extreme drought in Texas limited real estate activity in that state, it tended to increase demands for pasture lands in parts of Arkansas, Kansas, Missouri, and Oklahoma. The strong demand for pasture and timberland continued in the Eastern Seaboard states. There was also a great demand for small farms for rural residences and building sites. In Florida there is a continuing demand for pasture.

See the map on page 57 for the percentage changes from March 1951 to March 1952. The table, also on page 57 gives the average value per acre of farm land buildings for each state based on census data.

Real Estate Sales Down

A survey of the 3,000 county key bankers made by the A.B.A. Agricultural Commission indicated there was less farm real estate sales activity throughout the country than a year ago. The greater proportion of response from the South indicates more activity there than in other regions. Rising farm production costs and lower prices for many farm products have weakened the demand for farms.

The farm mortgage situation has tightened generally during the past year and interest rates have risen. More buyers need credit to finance their purchases, and lenders require larger down-payments. The farm mortgage debt on January 1, 1952 is estimated to have been \$6,300,000,000, an increase of more than \$472,000,000 or 8 percent, over that of a year earlier. Since January 1, 1946, when the debt reached a 34-year low, it has risen more than \$1,618,000,000, or 34.5 percent. Farm mortgage loans held by all banks on January 1, 1952 amounted to \$1,047,000,000, or an increase of only 4 percent during 1951. See chart, at right, for the percentage distribution of the total farm mortgage debt, by principal lenders, for the beginning of this year.

In the survey mentioned previously, the county key bankers reported the purpose of farm mortgage loans made by banks during 1951. The breakdown of this information is shown below:

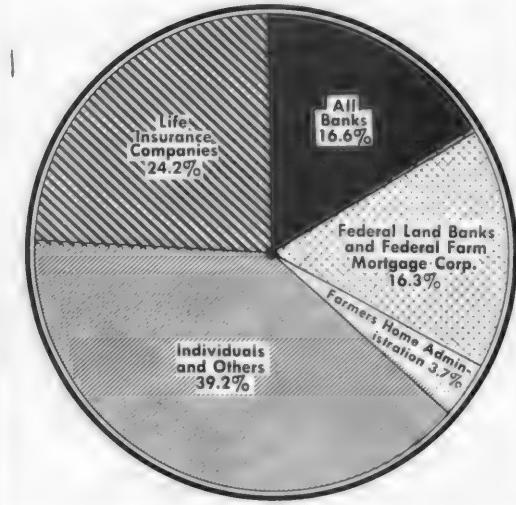
Purpose of 1951 Farm Mortgage Loans by Banks

	North-		Mid-		
	U.S.	east	South	west	West
Buying a farm	30%	51%	28%	34%	13%
Buying more land ...	11	5	10	13	15
Operating expenses ..	15	7	20	9	22
Farm improvements..	11	9	10	12	12
Machinery, equipment	11	10	12	10	12
Livestock	12	10	14	9	16
Refinancing	10	8	6	13	10

Farmers' nonreal estate indebtedness has increased at a faster rate than their real estate debt. These short-term loans held by banks and other lending institutions amounted to \$4,071,000,000 on January 1, 1952, or an increase of 21 percent during 1951. Banks held \$3,120,000,000 of this total.

The county key bankers reported no widespread delinquency of payments on either real estate farm loans or short-term loans. Only 7 percent indicated an increase in delinquency of payments on *real estate* loans, whereas 18 percent indicated an increase in delinquency of payments on *short-term* farm loans. The largest number, percentagewise, reporting an increase in delinquency on short-term loans occurred in the Midwest.

PERCENTAGE DISTRIBUTION OF TOTAL OUTSTANDING FARM MORTGAGE DEBT
JANUARY 1, 1952

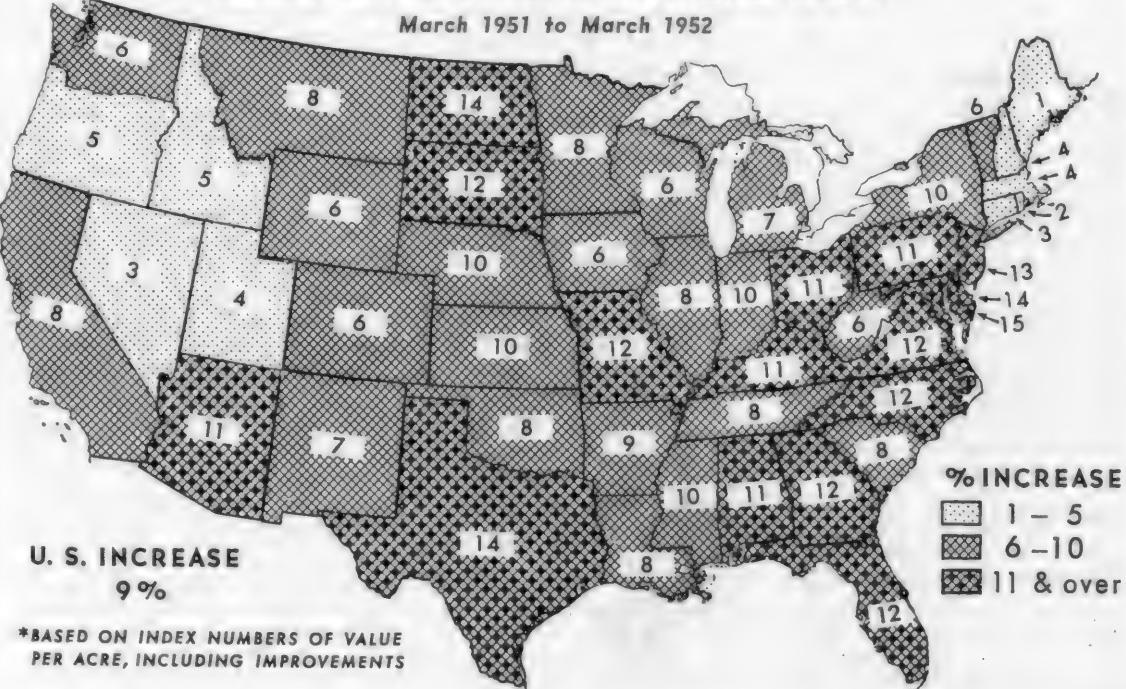


Average Value of Farm Land and Buildings

State	Average value per acre			State	Average value per acre		
	1940 Dollars	1950 Dollars	1952 Dollars		1940 Dollars	1950 Dollars	1952 Dollars
Alabama	21.35	48.68	59.83	Nebraska	24.03	57.62	74.56
Arizona	5.99	15.97	20.82	Nevada	12.57	22.70	25.24
Arkansas	25.32	61.00	76.74	New Hampshire	34.38	72.85	79.04
California	70.97	161.35	195.23	New Jersey	121.54	292.84	346.14
Colorado	12.32	32.54	37.65	New Mexico	4.83	16.10	19.55
Connecticut	135.41	247.77	273.04	New York	55.16	91.62	105.91
Delaware	61.30	114.11	140.58	North Carolina	39.09	98.65	121.93
Florida	38.90	54.85	73.77	North Dakota	12.92	28.86	35.90
Georgia	20.28	43.28	53.41	Ohio	65.91	136.34	181.60
Idaho	32.94	73.01	80.75	Oklahoma	23.88	51.42	65.20
Illinois	81.76	174.15	222.22	Oregon	26.51	62.73	71.39
Indiana	63.20	136.90	178.93	Pennsylvania	59.22	106.97	135.74
Iowa	78.79	160.71	197.51	Rhode Island	118.67	232.02	255.45
Kansas	29.51	65.80	81.07	South Carolina	30.12	69.06	82.53
Kentucky	38.26	80.87	102.38	South Dakota	12.80	31.31	40.55
Louisiana	35.40	82.21	95.12	Tennessee	35.93	77.26	92.56
Maine	29.38	54.17	52.00	Texas	18.81	46.21	62.57
Maryland	65.27	125.07	157.46	Utah	21.14	48.38	54.09
Massachusetts	109.40	189.54	212.85	Vermont	30.30	55.68	61.97
Michigan	50.59	98.52	121.18	Virginia	41.04	82.02	104.41
Minnesota	44.26	84.46	106.25	Washington	39.08	86.31	96.75
Mississippi	24.80	55.42	70.27	West Virginia	30.29	59.31	69.93
Missouri	31.87	63.66	82.82	Wisconsin	51.96	88.58	104.88
Montana	7.54	17.00	20.62	Wyoming	5.67	13.75	17.17
Census enumerations as of April 1. The 1952 estimate was obtained by applying the percentage change shown in the BAE index to the average value reported in the 1950 Census.				United States	31.71	65.45	81.64

PERCENTAGE CHANGES IN FARM LAND PRICES*

March 1951 to March 1952



Instalment Credit Minus "W"

SUSPENSION of Regulation W was followed by rather spotty business gains, particularly in automobiles. On the whole, the liveliest response seems to have occurred in the West and Southwest.

Returns from a survey made by BANKING in cooperation with the Instalment Credit Commission of the American Bankers Association also indicate that banks are following the sound lending principles mentioned by the Commission in its recent bulletin, *Instalment Credit Without Regulation W*. A number of bankers participating in the checkup pointed to the dangers that lurk in loose terms.

The suspension came at a time when the seasonal rise, especially in car buying, was under way, a factor that may have accounted for part of the gains noted. Some bankers expected the "flurries" to be temporary.

Lifting of the controls, it was rather generally felt, had a stimulating psychological effect—at least for the moment—on dealers and the public, although buyers are still cautious.

Considerable "credit shopping" was noted, and rejection percentages have risen because banks are carefully screening applications encouraged by the suspension.

There is some pressure at the manufacturers' level to encourage longer terms on appliances, but banks are not going along with this practice and the A.B.A. Commission is urging them to discourage it.

Although in some instances appliance loans are being made for 36 months with 10 percent down, the general terms are 24 months and 10 percent.

In some areas car loans are for 30 months and 30 percent down, but 24 months and a third down seems to be the prevalent contract.

Sound Credit

A New England banker summed up for sound credit in these words: "We believe that loose credit terms will lead to unnecessary hardships for both dealers and banks, and that, unless sound credit policies are followed, governmental controls

might well be reinstated." He believes that discontinuance of controls is beneficial to dealers and lenders: "Unquestionably dealers have been relieved of the mental hazard that merchandise could not be sold under the Regulation W terms."

Reporting that the suspension had "hardly caused a ripple in his area," a Wisconsin banker added: "It is good to be in business again knowing that credit can be extended on sound principles established by good business practice in a free economy rather than by arbitrary rules which in many cases do not apply and work unnecessary hardship. It is the responsibility of bankers to demonstrate their leadership in credit by conducting their own business on sound credit terms and insisting that those who do business with them follow the same sound principles."

A large California bank said: "Loose credit terms at this time may result in irrevocable damage to our consumer credit structure, and we are certainly going to do all within our power to keep credit terms on a reasonable basis and to encourage our dealers to sell merchandise rather than easy credit terms."

Said a Massachusetts banker: "We realize our responsibilities and do

"Oh, the car isn't for me. It's for our daughter's fiance. His credit rating is bad and I don't want a couple of thousand dollars to hold up the marriage."



not intend to sell instalment credit short."

Public in No Hurry

From a Michigan banker came this view: "The fact that there has been no great flurry in time sales is again evidence that the average man is a pretty good judge of what he needs and what he can pay for. The mere fact that credit may be liberalized is no indication that he will buy unduly."

As another banker in the same state sees it, "the public is not going to rush in and buy any of the durable goods articles simply because of easier credit terms." From a southern bank came the observation that although volume seemed to have improved, people were cautious.

Where Business Improved

Nevertheless, there were numerous reports of increased business activity.

"The Pacific Northwest," said a State of Washington banker, "welcomed the suspension inasmuch as it was stifling business rather badly. The automobile dealers have registered about 100 percent increase in new and used car sales volume, but buyers are still selective and shop on a 'shop and trade value' basis. Our volume is increasing considerably; our term requirements are being met very satisfactorily."

A large West Coast bank said the suspension had had a stimulating effect on time sales business generated by its dealers. "It is quite generally stated that there have been many more shoppers looking for easy credit terms, hoping they might be able to improve their situations by purchasing a more expensive product with little or no investment."

Another western bank stated: "It is our feeling that there has been and will continue to be an increase in sales volume in the consumer durables field, particularly in new cars, as a result of the suspension. We further feel, however, that the increase will be temporary and that considerable selling will be required on the part of dealers to maintain

sales in view of present high prices."

A Minnesota bank reported a "noticeable increase" in direct loans and in dealer contracts.

Some stimulation in the sale and financing of cars was noted by a Wisconsin bank; appliance sales increased slightly.

"The suspension has definitely given the automobile business a shot in the arm and there is a better than normal upswing in this line of business," said a bank in Ohio. "However, it has done little to stimulate sales of appliances, furniture, and other durable goods."

Reporting a general increase of 5 or 10 percent in sales, an Oregon banker said this rise "was probably caused by the close parallel of existing terms to those previously in effect. In the automobile field," he added, "new car dealers have increased sales 20 to 25 percent, with larger gains in the medium-priced field. Most believe that this sudden splurge will subside."

Dealers Selling Terms?

A California bank said the immediate effect had been an "unprecedented" number of requests for extension of terms and reduction of monthly payments, invariably tied to requests for long maturities. "There are some signs that dealers are ready to go back to selling *terms* rather than merchandise. Banks in this area are counseling against this practice."

The tempo of business in an Arizona city has "increased considerably," mostly in auto sales, although there has been some step-up in appliance turnover. "It is my impression," said this banker, "that the suspension of Regulation W has changed a good deal the buying philosophy of the public. Loan applications have certainly increased and greater attention to the debt position of applicants must be given. Our turn-down rate has definitely increased since the suspension."

The automobile business of a bank in a large Texas city has "materially improved," although appliance paper hasn't followed.

From Ohio came a report of a "tremendous increase" in car loan applications, with down-payments of a third or more. There hasn't been much pick-up in requests for financing television or white goods.

A Long Island bank said its appliance business had increased con-



"I wish you'd stop shoving"

siderably, automobile paper slightly, while television remained the same.

A Florida bank reported a "short sales spurt" in autos and appliances. In general, this banker thought suspension of Regulation had, "in effect, brought about a healthy increase in business, and dealers seem to have received a positive psychological reaction from removal of a Government control which had always been more or less of a thorn in their sides."

A bank in Mississippi commented on the apparent lifting of a "defeatist attitude" among consumer goods and auto dealers, consumers and lenders.

There has been some stimulation, "partly seasonal," in an Iowa city, and in a Missouri metropolis an increased demand for loans, mostly for car financing.

Total credit applications at a large bank in eastern Pennsylvania were 20 percent higher in the three weeks ending May 30 than in the three weeks prior to the suspension. "However, this is only partly due to the change in terms as the spring selling season on cars was just opening up."

In a New Jersey city, car financing increased substantially, due chiefly to longer terms, but appliance business did not respond.

Little or No Change

A southern banker, reporting a general increase during May and into June, added: "It is our feeling here that the stimulus will not be very lasting, and I expect by the end of June this lush purchasing evidenced by the people will be somewhat tempered."

A Nebraska bank, noting some "easy credit advertising," said the instances were surprisingly few. "Most legitimate dealers know that nothing takes the place of a purchaser's cash equity. The suspension

of the regulation has not yet increased sales volume appreciably."

A large bank in western Pennsylvania said the suspension came at a time when the seasonal upturn was in the making.

Another institution in the same state did not anticipate a sustained revival of buying of consumer goods. "I believe," said this banker, "the over-all price of merchandise has reached a high point and that, except for necessity purchasing, people are going to be very cautious about buying at these prices."

An Iowa banker said the suspension hadn't caused "much furor." He added that he had contacted banks in the larger towns throughout the state and found their business was "only up by the amount normally felt at this time of the year."

A southern New Jersey bank noted "little, if any, change" and one in Pennsylvania commented: "No rush of business."

"The effect on the buying public hasn't been marked," said a Texas bank. The psychological effect of the suspension lead to some increase.

From Indiana came a report of "no increase in applications."

A bank in Wisconsin saw no change in automobile or appliance businesses, and one in Illinois said the effect had "not been too noticeable," adding that dealers had cooperated in adhering to "sensible down-payments and length of contracts."

"While our volume has increased in the last few weeks," wrote a South Dakota bank, "we feel that the increase is seasonal, with only a very small part coming as a result of the suspension of Regulation W."

A State of Washington banker said that although his bank was enjoying a 25 to 33½ percent statewide increase in auto paper, the durability of the rise was questionable. In his opinion the pace would not continue, "for we are tapping a new market of individuals who can pay \$65 to \$75 a month for a car but could not pay \$90 to \$100. As soon as the customers in this income bracket is exhausted, then automobile sales will undoubtedly show a decline."

Another banker in the Northwest looks for a leveling off "after the first month or two." One in Missouri is convinced a rise would have occurred anyway, though it perhaps wouldn't have been quite so large.

News for Country Bankers

(CONTINUED FROM PAGE 55)

A week's agricultural goodwill tour is being planned for the latter part of July by the LBA that will take Louisiana bankers, farmers, SCS representatives, and others to Nebraska, Minnesota, Wisconsin, and Missouri in a special air-conditioned pullman train. In Omaha the touring bankers will see the dairy facilities of Boys' Town, the stockyards, and farms in the area; in Minnesota outstanding soil projects and other agricultural practices.

Farm Equipment Guide

ANOTHER guide to farm equipment dealers with respect to the trade-in and resale values of farm equipment has been received by BANKING. This latest one, the *Official Tractor and Farm Equipment Manual*, is published by *Farm Equipment Retailing* of St. Louis.

Walnut Forestry Giveaway

MORE than 400 bags of stratified walnuts, ready for spring planting, were given away recently to farmers, rural land owners, and Scout groups, by the Shelby National Bank of Shelbyville, Indiana, in cooperation with the American Walnut Manufacturers Association and the Veneer Association.

The walnut distribution was initiated by one of the bank's directors, B. F. Swain, Sr., who is president of the National Veneer and Lumber Co., of Seymour, Indiana. The nut giveaway was part of a joint forestry program of the cooperating associations.

Not Luxury—a Must

WITHIN a six-year period after Maurice I. Wyckoff, vice-president of the Labette County State Bank of Altamont, Kansas, switched from county agent to banker his bank's farm loans jumped from \$57,413.83 to \$294,911.55.

Although he attributes some measure of this increase to inflation, he says: "We feel that a considerable amount of this increase can be traced to trying to gear our loan program to modern farm practices."

Continuing, Mr. Wyckoff said: "We feel an agricultural department is probably more valuable to us than



LBA President Patenotte awards a "certificate of merit"

to most larger banks. It is not a luxury with us—it is just a necessity."

Farm Youth Club Ideas

TWO ideas for farm youth group clubs—ideas that are new to BANKING—received mention in the latest Canadian Bank of Commerce farm relations cartoon booklet. This booklet is entitled *Start Them Young* and features the contribution of the Canadian Council on Boys' and Girls' Club Work, with a membership of 58,000 boys and girls between 10 and 21 years of age in 4,000 clubs.

Besides calf clubs, which are popular in the States with 4-H and FFA groups, *Start Them Young* tells about the Council's grain and tractor maintenance clubs. Grain club members learn the principles of registered seed production, recognition of varieties, disease and weed control. They also learn the value of good land use in cropping and rotational practices.

"With the rapid mechanization of farms," says the folder, "more

Typical cartoon from *Start Them Young*



knowledge is needed in caring for the modern precision-built tractor. Club members learn to do routine maintenance, such as greasing, oiling, and minor repair jobs. They are taught safety in handling and working with machinery, correct tractor hitching, and cropping practices."

Good City Bank Farm Ads

TWO new series of newspaper ads addressed primarily to farmers have recently been used by the Bank of Montreal. In both series the illustrations and copy complement each other effectively.

A pixy character, with FIL on his T-shirt, acts out the farm improvement loan theme of each of six ads.

Typical of the second series of three ads is one headlined: "Is Lack of Ready Cash Giving You a Tough Row to Hoe?" and illustrated with a farmer hoeing in a field with farm houses in the background.

Illinois Bank Farm Departments

INTEREST in service departments is contagious in the family of Walter M. McLaughlin, manager of the farm service department of the Citizens National Bank of Decatur, Illinois, who was formerly Commissioner of Agriculture for Illinois.

His daughter, Mary McLaughlin Green, while a graduate student in economics at the University of Illinois, wrote a thesis on Illinois bank farm departments. Among other things, she discovered that farm management as a full-time job in Illinois dates from 1920. Most of the Illinois banks with farm departments, she stated, have more agency accounts than other types.

Tax Loophole Reprint

REPRINTS of "The Biggest Tax Loophole of Them All," by Congressman Noah M. Mason and appearing in April 1952 *Reader's Digest*, may be obtained from the Congressman without cost.

"I see a vast sum lost to the U. S. Treasury," said Representative Mason, "through a politically embedded system of tax privileges for huge corporations which are organized as 'cooperatives,' and, as such, are virtually tax-exempt."

The Florida Bankers Association distributed reprints of the tax loophole article to its member banks.



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LING

LONG A DREAM
TODAY IT
COMES TRUE

EAGLE HITCH Farming

Here's a brilliant new way of doing your farm work—with Eagle Hitch now built into big 2-plow and 3-plow Case Tractors. In mere minutes you switch from mounted Break-Away Contour Plow to lift-type harrow or planter, from toolbar tiller to mounted mower. You hustle along the highway and your Eagle Hitch Implements never touch the hard surface. You skip across sod strips or new seeding without your Eagle Hitch Harrow leaving so much as a scratch. You back into corners with a 4-section drag, shake trash from spring teeth at a touch of hydraulic control. You make short turns, quick stops with a gentle push on the new self-energizing double-disk brakes.

HOOK UP
SITTING DOWN



This is the story your farmer-depositors are seeing in the farm papers about new ways and means for getting farm work done. Eagle Hitch Farming has been called "revolutionary," yet it is conservative in the sense of conserving things that are vital.

What counts most in modern farming is the yield per man, the tons or bushels resulting from an hour of work. In every farm operation . . . and especially in the many shifts from one operation to another . . . Eagle Hitch Farming saves a myriad of unproductive minutes, conserves human time and toil.

LIVE POWER TAKE-OFF

. . . lightens your work, helps save grain and feed, makes fuel go far and tractor last long. Now you can apply tractor power to wheels or PTO or both. You can keep your combine, forage harvester or other PTO machine going full speed, start and stop travel as desired. PTO clutch is on live-power shaft, independent of traction clutch.

LIVE HYDRAULIC CONTROL

. . . another time-saving advantage of Case Eagle Hitch Farming . . . is ready to act at any instant, moving or standing, when the engine is running. Live Hydraulic Control works with both mounted and trailed implements. In Case "SC" and "DC" Tractors hydraulic control, power take-off, and traction are all independent of one another.

Eagle Hitch Farming conserves soil because it makes practical . . . and easy . . . the advanced farming practices which are the heart of soil conservation. It reduces the weight and cost of sundry implements as well as the time and space it takes to store them. From every angle, we believe, it merits the blessing of bankers with an interest in farming. J. I. Case Co., Racine, Wis.

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you are now renting you'll get a...

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And you'll receive another worthwhile value—a minimum of one year of maintenance service at no additional cost . . . parts replacement included.

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the Recordak Microfilmers they once rented. And now the offer is more attractive than before!

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(Subsidiary of Eastman Kodak Company)

originator of modern microfilming—and its application to banking systems

BANK LAW NEWS

Safe Deposit—National Bank Cases

SAFE DEPOSIT

Customer's testimony that money placed in box is missing, entitles jury to find company negligent

A CUSTOMER'S testimony that she put \$10,000 in her box in a safe deposit vault and that it was gone when she later opened it is sufficient to entitle a jury to infer that the money was stolen through the negligence of the safe deposit company, New York's Court of Appeals has held.

The customer had rented a box, the door and lock of which were "well made and of a type used by numerous safe deposit companies." Access to the box could be had only by means of her own key, or a duplicate of it, and a master key held by the company. No sign of a forcible entry was disclosed by an examination of the box after the customer claimed loss. The company had dominion over its vault, which contained about 2,000 boxes and was ordinarily in charge of one employee. No record was kept of those who entered and left the vault, and on occasion persons had been admitted to it without identification.

On these undisputed facts, a trial court had refused to allow the customer's case against the company to go to a jury. The state's highest court overruled the trial court, on the grounds that "the question of negligence is for a jury, when there is a conflict in the evidence, or when . . . fair-minded men can draw more than one inference from the undisputed facts." In its opinion "fair-minded jurors" could reasonably have inferred a failure of the company to exercise the due care and caution required of it with respect to its safe deposit vault.

Three judges dissented. If the relationship between a safe deposit company and its customer were that of bailor and bailee, as it is in some states, they said, the court would

be justified in applying the law of bailment, which presumes negligence from mere proof of delivery of property to the bailor and his failure to redeliver it. However, they said, the court in its only modern statement on the subject had "correctly, logically, and justly" stated that the relationship was that of landlord and tenant.

In any event, they added, there was no bailment in this case since a necessary feature of every bailment is a transfer of possession to the bailee. In this case, they said, the company never took exclusive custody of the money, but merely made available to its customer a double lock box which could be opened by each party producing a separate key for a separate lock.

The minority also maintained that, assuming the money had been stolen, there had been a failure of proof that the theft resulted from the company's negligence. "Even a bailee for hire, 'is only bound to take the same care of the goods as of his own, and if they be stolen or embezzled by his servant, without gross negligence on his part, he is not liable'" they said.

The holding in this case makes it interesting to note that South Carolina this year adopted the safe deposit and safekeeping article of the Model State Banking Code, which defines safe deposit companies and their customers as "lessors" and "lessees." *Veihelmann v. Manufacturers Safe Deposit Company*, 105 N.E.2d 891.

NATIONAL BANKS—STATE REGULATION

Instalment contracts cannot be sold to national banks not electing to be licensed by state

MICHIGAN'S attorney general has ruled that his state's Motor Vehicle Sales Finance Act prohibits the sale

of contracts coming within its provisions to any national bank which has not been licensed. The act does not require specifically that national banks be licensed, but merely provides that no contract may be sold to any unlicensed person doing business in the state and defines "person" as including Michigan and other state banks, and any national bank which "elects" to come under its provisions.

The attorney general based his opinion upon decisions of the Supreme Court to the effect that national banks are subject to state laws which do not interfere with the purposes of their creation, do not destroy their efficiency as Federal agencies, and are not in conflict with paramount Federal law. "There is no discrimination between state and federal banks in the terms of the act," he ruled, "and it could hardly be argued that the requirement that licensed instalment sellers treat national banks the same as state banks in the disposition of their instalment sales contracts would be an undue burden on national banks or an interference with the purpose for which they are created." Op. A. G. Michigan, No. 1516, February 27, 1952.

NATIONAL BANK AS FOREIGN CORPORATION

State laws regulating foreign corporations declared inapplicable to national banks

THE Federal District Court for Massachusetts, although subscribing like Michigan's attorney general to the view that national banks are subject to state laws which neither interfere with the purposes of their creation, tend to impair their efficiency as Federal agencies, nor conflict with Federal law, has decided that Massachusetts statutes denying

(CONTINUED ON PAGE 66)



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(CONTINUED FROM PAGE 64)

access to its courts to foreign corporations which fail to register would be unconstitutional if applied to national banks.

State laws relating to foreign corporations are inapplicable to national banks "in the absence of clear and unequivocal language" making them applicable, and there is no such language in the Massachusetts laws, the court said.

If there were such language, the court volunteered, the laws would be unconstitutional. Federal law gives national banks the power to sue and be sued in any court "as fully as natural persons," the court explained, so that if the Massachusetts laws were applied to national banks it would constitute an illegal attempt to treat them as corporations, rather than as individuals, as far as law suits are concerned.

The court then went on to find that the Massachusetts laws did not apply, in any event, to a California national bank seeking to sue for an accounting by its Massachusetts agent for the sale of travelers' checks, on the grounds that a bank selling travelers' checks through an agent is not governed by the rule that a corporation doing business through an agent in another state is ordinarily regarded as "doing business" in that state. Bank of America N.T.S.A. v. Lima, 103 F.Supp. 916.

TRAVELERS CHECKS

Of interest in the light of the Massachusetts Federal Court decision reported above, is the holding of New York's Supreme Court for Broome County, that a person buying travelers' checks from an express company agent, in effect opens an account "in much the same manner as one would open an account with a bank," engages in a transaction which is "essentially a deposit," and purchases checks which are "in the nature of certificates of deposit..." Williams v. Clark, 112 N.Y.S.2d 26.

STATE FRANCHISE TAX

THE Supreme Court of Ohio has granted a motion for rehearing the case of Wrenn Paper Co. v. Glander, 156 Ohio St. 583, in which the court had held invalid the Ohio franchise tax on all corporations, including banks, to the extent that Federal



The fire upstairs wasn't our fault

...the \$3,121.95 income loss was

(A true story based on Hartford File #H-50-14827)

We're hat makers—women's hats. And, with a big backlog of fall orders, we were working six days a week to meet demand. Upstairs, there was a fire in a shoe factory. We were flooded...had to shut down our fabric hat department ten days for equipment repairs.

That fire upstairs wasn't our fault. But more than half of our resulting income loss was. Our gross earnings were cut \$6,024.32 by the ten-day shut-down. Only \$2,902.37 was recoverable—we simply had failed to keep our Business Interruption Insurance geared to probable earnings.

When it comes to protecting income dollars during shut-downs, doing things by half is bad.

Doing nothing is worse!

As a banker or credit man, you're fully aware of this. But perhaps all your customers aren't.

So when you're talking to one who is doing things by halves, for his protection...and yours...point out that with today's rising prices and values, it's essential to have full protection on anticipated income. And for the customer with no Business Interruption Insurance that advice "goes double."

Suggest that they see their Hartford Fire Insurance agent or insurance broker. And have them write for free booklet, No. 84714, which shows how to figure what they might stand to lose by an involuntary shut-down.

Year in and year out you'll do well with the

Hartford

Hartford Fire Insurance Company • Hartford Accident and Indemnity Company
Hartford Live Stock Insurance Company • Hartford 15, Connecticut



Government securities entered into the tax base.

This means that there will be a delay of several months before a final decision in the case is known. Should the tax base again be held invalid, it is expected that the state will refund taxes improperly collected in prior years.

POSTDATED CHECK

Like all states, Idaho has a statute making it a crime to issue a check without having sufficient funds on deposit to pay it. Like some states, Idaho has tempered its statute by making it applicable only to cases where the check is issued with intent to defraud.

Interpreting the Idaho statute recently, the Supreme Court of that state reiterated the rule of the "vast majority" of states, that an intent to defraud is absent if at the time of issuance the drawer discloses to the payee that he does not have sufficient funds in or credit with his bank to meet the check. The disclosure "purges the transaction of its criminal character" and makes it essentially one of extending credit to the drawer.

However, the court refused to join those few states which extend this rule to cover postdated checks and hold, in effect, that "the issuance of a postdated check implies the present insufficiency of funds and, without more, takes the transaction out of the condemnation of the statute." Instead, the court held that one who gives his postdated check in the regular course of business without having sufficient funds in or credit with his bank to pay it upon presentation violates the statute if he neither calls to the attention of the payee that it is postdated, nor arranges with him to hold the check. *State v. Eikelberger*, 239 P.2d 1069, cf. *Paton's Digest*, Checks §§22:7, 22:9, 22:200.

JOHN RENE VINCENS

Under Socialism, the British receive free teeth but no meat to chew.

We wish the textile people would develop a synthetic shirt you could throw away after using instead of after sending it to the laundry.

The best intelligence test is what we do with our leisure.

TOOLS THAT HELP YOU PROMOTE BETTER FARMING



PROTECT GRASS WATERWAYS WITH PLOWS AND DISCS THAT LIFT ACROSS

It is one thing to seed and establish grassed waterways . . . quite another to have the field tools that will protect these waterways. Massey-Harris has them.

Shown above, for example, is a Massey-Harris heavy duty Goble mounted disc that can be raised and carried across the waterway . . . avoids tearing up the turf. Similarly, mounted plows for the Massey-Harris Tractor can be lifted and carried across grassed waterways — without even so much as slowing down the tractor. For

pull-type discs, plows, heavy-duty field cultivators a Massey-Harris remote hydraulic control can be installed to straighten and angle the discs while "on the go" — as well as lift the equipment.

These are just a few examples of how Massey-Harris tools help you promote soil conservation. It shows that we must all work together to **HELP SAVE OUR SOIL**. The Massey-Harris Company, Quality Avenue, Racine, Wisconsin.

Make it a Massey-Harris



EVERY RURAL LEADER HAS A STAKE IN SOIL CONSERVATION



The Illinois quiz program on the air. See Column 1 below

Other Organizations

THREE representatives of the Illinois Bankers Association were pitted against three "public members" of a quiz panel broadcast at the IBA's convention in Chicago. And the bankers won—82 to 70.

This occasion was the premiere performance of this program, which was broadcast from Station WGN and the Mutual Network.

The script was written, according to Dewey M. Beck, IBA director of public relations, "to provide entertaining features as well as furnish the radio audience with pertinent information on Chicago as a convention center and the history and purposes of the Illinois Bankers Association."

Danny O'Neil of the WGN staff acted as quizmaster. The three banker members of the panel were Ben H. Ryan, outgoing IBA president and president of the State Bank of East Moline; Joseph R. Frey, former IBA president and president of the Lake Shore National Bank,

Chicago; and Melvin C. Lockard, newly elected IBA president and president of the First National Bank, Cobden.

The opposing side's members were Joseph Henebry, United States Air Force, recently returned from Korea where he headed air lift operations; Lloyd Wendt, assistant Sunday news editor of the *Chicago Tribune*; and Saxie Dowell, a song writer and music news critic.

The questions were divided into two groups, one set pertaining to the functions of banks and the other to historical and cultural facts about Chicago and Illinois.

Gum Retirement

AFTER 35 years as executive secretary of the OKLAHOMA BANKERS ASSOCIATION, Eugene P. Gum stepped down from that position at

The news in this department is edited by WILLIAM P. BOGIE of BANKING'S staff.

the OBA's recent annual convention. His successor is Charles L. Fuson, who has been assistant secretary since Mr. Gum notified the Oklahoma association two years ago of his intention to resign this year at the age of 75.

Mr. Gum was given a silver plaque and a television set, and was made a life member of the organization.

On the plaque was engraved a reference to the outgoing executive secretary's unusual hobby—collecting historic pieces of wood and from them making gavels for OKLAHOMA BANKERS ASSOCIATION presidents. Mr. Gum completed his 26th and last gavel this year, representing a total of about 2,600 hours of work. They contain bits of wood from such historic spots as the chapel at Windsor Castle, Old Ironsides, Ann Hathaway's cottage, and the homes of Napoleon, Shakespeare, Robert E. Lee, and Andrew Jackson, and from the tree under which Lincoln and Douglas debated.

Bankers' Challenge

THE banker's responsibility as a source of sound information on economic trends and events, and his further responsibility for exerting leadership that will influence others to use sound economic judgment were discussed before the annual convention of the WYOMING BANKERS ASSOCIATION by W. Harold Brenton, vice-president of the American Bankers Association.

In explaining his philosophy the

president of the State Bank of Des Moines said:

Building public confidence—building public confidence through the development of effective banking leadership—is the greatest challenge facing banking today. Banking has numerous responsibilities that are important, but there is none more important than the need for greater banking leadership and the better understanding and acceptance of that leadership.

Banking today is a changed business. Bankers are beginning to catch up with the change that our age of

mass production has created. But just catching up isn't going to be sufficient. Like any other business, bankers must accelerate their pace just to keep even. It is true that changing demands are bringing more people through the front doors of our banks. But population statistics give further evidence of the growing number of people that bankers must be prepared to serve in the future. A recent study predicts that there will be an increase of 14 percent in our population by 1961. This is in addition to the tremendous increase of the last 10 years. It is obvious that

SOME NEW STATE ASSOCIATION PRESIDENTS



Left to right: MARYLAND—Charles A. Piper, president, Liberty Trust Company, Cumberland; MAINE—Reginald H. Sturtevant, treasurer, Livermore Falls Trust Company, Livermore Falls; PENNSYLVANIA—George C. Rutledge, president, Johnstown Bank and Trust Company, Johnstown; TENNESSEE—Jo H. Anderson, president, Park National Bank, Knoxville



Left to right: NORTH DAKOTA—Franklin Page, cashier, Bank of Hamilton, Hamilton; OREGON—Godfrey C. Blohm, vice-president, United States National Bank of Portland, Eugene; SOUTH CAROLINA—John A. Campbell, Jr., president, South Carolina National Bank, Columbia; SOUTH DAKOTA—Erling Haugo, president, Sioux Valley Bank, Sioux Falls



Left to right: CALIFORNIA—H. J. Mendon, vice-president, California Bank, Los Angeles; OHIO—Paul M. Jones, cashier, Old Phoenix National Bank, Medina; ARKANSAS—Donald Barger, president, Peoples Exchange Bank, Russellville; ILLINOIS—Melvin C. Lockard, president, First National Bank, Cobden

meeting these increased demands should be the first call on the thoughts and energies of every banker.

* * *

The banker is now coming into a position where he can be of some help in protecting the value of the dollar. The banker's business is dollars, and he must be informed on matters pertaining to dollars. The bankers of this country have a greater opportunity in returning the nation to financial soundness than any other group.

Bankers must visualize their part in promoting this new frontier in banking. Their most important concern should be to select carefully and to train adequately young men

for banking leadership. Future bankers must have a skill and training undreamed of in days of the past. I have full confidence that bankers will continue to strengthen their position of recognized leadership. To whom can people go for this information if not to their bankers?

Trust Short Courses

TRUST short courses were held in Connecticut and Louisiana during June.

The Louisiana trust course was given at the School of Banking at Louisiana State University, Baton Rouge, June 2 to 7.

The program was arranged by

Troy Beatty, Jr., vice-president and trust officer, The First National Bank of Memphis, Tennessee.

A short trust course, held on the University of Connecticut campus, June 22 to 24, was a joint project of the Connecticut Bankers Association, the banking department of the state, and the university. The course was intended for senior trust officers.

Morris K. Winborn, assistant secretary of the Hartford-Connecticut Trust Company, is chairman of the CBA Trust Course Committee.

Next month BANKING will take you behind the scenes at one of these trust short courses.

Florida Innovations

THE Bank Management Committee of the FLORIDA BANKERS ASSOCIATION has established a clearing house for information as to bank operations and audit procedure for all Florida banks. The purpose of this plan is to answer questions and show what other banks are doing with respect to these two phases of operations.

This is how the plan will work. Any bank that has a problem, no matter how large or small, or desires new ideas on any operating procedure or audit program, will submit its question or request to the

Your customers are looking at Canada, ARE YOU?

U.S. capital is busy in Canada, developing vast deposits of copper, iron, lead, zinc, titanium . . . helping to finance the tremendous oil boom in the west.

Let Imperial Bank keep you up-to-date on Canada's changing scene. With branches located strategically throughout the mining and oil fields, we can provide intimate information about business conditions, trends and opportunities.

We invite interested U.S. Banks to write us . . . we'll be glad to outline our services. Write

Superintendent of Foreign Business,
Head Office,
Toronto.

IMPERIAL
THE BANK THAT SERVICE BUILT
IMPERIAL BANK OF CANADA

Brown L. Whatley, president of Stockton, Whatley, Davin & Company, Jacksonville, Florida, has been named the official nominee for president of the Mortgage Bankers Association of America. This is tantamount to election in the MBA. The election will take place at the organization's meeting next September 29—October 2 in Chicago





Robert M. Catharine (above) has been elected president of the National Association of Mutual Savings Banks. He is president of the Dollar Savings Bank of the City of New York. He succeeds Carl G. Freese, president and treasurer, Connecticut Savings Bank, New Haven. The NAMSB's new vice-president is Richard A. Booth, president, Springfield (Massachusetts) Institution for Savings

association office in Orlando. The bank's name will be deleted from the question or inquiry and then it will be sent to the chairman of the Bank Management Committee. The question will then be sent to men in various banks who have had considerable experience in the particular phase of work pertaining to the question. Their answers will be sent back to the association office and in turn back to the inquiring bank.

The Florida association has also just begun publication of a monthly bulletin describing the activities of the FBA Public Relations Committee. The first one, consisting of two mimeographed sheets of green paper, covers bank tours, speakers bureau, and a discussion of good public relations.

Bank Capital Study

AN 81-page booklet, *The Problems of Adequate Bank Capital*, has been prepared for distribution by the ILLINOIS BANKERS ASSOCIATION. This study is the work of a subcommittee of the IBA Committee on Bank Management. The actual organization and writing of the report is the work of the subcommittee's chairman, Gaylord A. Freeman, Jr., vice-president of The First National Bank of Chicago.

HERE?

HERE?

HERE?

or HERE?

HERE?

WHERE DOES A NEW BANK CUSTOMER START?

SAVINGS

PERSONAL LOANS

OF course, there's no one answer. But one thing is clear: a man can pay bills with cash . . . he may have no surplus cash to save . . . he may have no need to borrow money . . . but *everyone* who owns *anything of value*—a house, a car, an insurance policy—needs a safe deposit box.

So it's good business for a bank to promote its services in the widest market—safe deposit rentals. In most cases a man who establishes his banking home by renting a box goes on to utilize other banking services.

IS YOUR SAFE DEPOSIT DEPARTMENT IN NEED OF EXPANSION—OR MODERNIZATION? A survey by a trained H.H.M representative involves no obligation, may lead to profitable improvements in your facilities. We're prepared, too, to supply effective promotional materials. Inquiries are invited.



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BANKING NEWS

State Bank Resources and Capital Accounts Rise, Earnings Down

1951 Study Sent to State Bank Members

Annual studies of the assets and liabilities and of the expenses and earnings of state-chartered banks made by the State Bank Division of the American Bankers Association show that resources and capital accounts increased and net earnings declined during 1951. The material from the two studies has been published in an annual report, *Condition and Operation of State Banks in 1951*, which has been distributed to members of the Division to provide them with median figures for a comparison of their own operating ratios.

Total Resources

The studies show that at the close of business on Dec. 31, 1951, total resources of the nation's 9,598 state-supervised banks had increased \$6,428,645,000, or 6.8 percent, during the year to a total of \$100,841,457,000. The study of earnings and expenses of state-supervised commercial banks shows that while earnings before income taxes were higher last year, net profits declined 4 percent, or \$1,880,000 under 1950. Net profits for the state commercial banks aggregated \$419,596,000, of which \$176,579,000 was paid to shareholders in dividends and \$243,017,000 was added to capital accounts.

Two studies are included in the publication, *Condition and Operation of State Banks in 1951*. The first is the 21st annual study of assets and liabilities covering 9,598 banks located in each of the states and the District of Columbia. The report on earnings and expenses is the 18th annual survey of 9,030 state commercial banks, including loan and trust companies, stock savings banks, and private banks in the 48 states and the District of Columbia.

18th Session of GSB at Rutgers University Has Peak Enrollment

1,053 Bankers Come from 42 States; D.C.

As The Graduate School of Banking opened its 18th resident session at Rutgers University, New Brunswick, N. J., there was an all-time high enrollment of 1,053 bank-officer students actually on campus, and one member of the graduating class was absent for Army duty. This year's session was June 16 through 28, except for members of the graduating class who had to arrive a little earlier.

Since the details of the 1952 session were given in BANKING'S June issue, one special lecture was added. Max L. Feinberg, director of the Service Trades Bureau of the OPS, brought up-to-the-minute facts on price and fee controls to students of the commercial banking operations sections. Mr. Feinberg spoke on Friday, June 20.

A pictorial souvenir booklet was issued for the students this year in the form of a welcome to the university. This booklet, the joint effort of Rutgers and The Graduate School of Banking, was considered so fine a job that its printer entered it in an advertising display in New York prior to the opening of the school.

Here is a breakdown by states of the students actually on campus, and a table of the bank titles among the students appears on Page 73.

The study of assets and liabilities of all state banks shows that in 1951 their holdings in United States Government securities decreased \$904,116,000, or 2.4 percent under 1950, to a total of \$36,366,484,000. Of this amount, \$26,550,872,000 were held by state commercial banks and \$9,815,612,000 were held by mutual savings banks.

"Other securities totaled
(CONTINUED ON PAGE 74)



The four active officers of the First National Bank of Lebanon, Pa., are all graduates of The Graduate School of Banking. Left to right they are: Eugene J. Arnold, assistant trust officer, Class of 1952; Leroy B. Donough, cashier, '44; Melville M. Parker, executive vice-president, '39; and Paul J. Kahr, trust officer and assistant cashier, '49

G.S.B. 1952 GEOGRAPHICAL DISTRIBUTION

State	Class of—1952	1953	1954	Total
Alabama	6	2	3	11
Arkansas	3	1	2	6
California	5	5	6	16
Colorado	3	2	2	7
Connecticut	24	21	17	62
Delaware	3	3	4	10
D. of C.	10	8	10	28
Florida	2	3	1	6
Georgia	13	6	13	32
Idaho	..	..	1	1
Illinois	8	8	11	27
Indiana	6	2	2	10
Iowa	2	..	3	5
Kansas	2	2	1	5
Kentucky	1	3	3	7
Louisiana	..	1	..	1
Maine	2	7	3	12
Maryland	7	2	4	13
Massachusetts	40	29	21	90
Michigan	6	5	5	16
Minnesota	7	6	6	19
Missouri	13	9	6	28
Montana	..	..	1	1
New Hampshire	3	3	2	8
New Jersey	21	18	24	63
New Mexico	..	1	..	1
New York	63	81	93	237
North Carolina	3	9	11	23
Ohio	15	19	16	50
Oklahoma	..	..	1	1
Oregon	1	1	..	2
Pennsylvania	39	49	48	136
Rhode Island	1	4	4	9
South Carolina	3	2	1	6
South Dakota	..	1	..	1
Tennessee	1	2	3	6
Texas	5	7	14	26
Utah	..	..	1	1
Vermont	1	2	1	4
Virginia	14	21	19	54
Washington	1	..	1	2
West Virginia	1	1	1	3
Wisconsin	2	2	3	7
<i>Totals</i>	<i>337</i>	<i>348</i>	<i>368</i>	<i>1,053</i>

Expect 2,500 Banks To Be Represented at 78th Convention in Atlantic City, N. J.

More than 6,000 bankers and their wives from 2,500 banks will attend the 78th annual convention of the American Bankers Association in Atlantic City, N. J., Sept. 28 to Oct. 1, according to an estimate by Merle E. Selecman, secretary of the Association, based on present applications for hotel accommodations.

"The present rate applications," Mr. Selecman stated, "is only about 200 behind the same time last year when the final registration for the 1951 A.B.A. Convention in Chicago was more than 6,400 out-of-town registrants. But more significant than the registration figure," he added, "is the fact that approximately 2,500 member banks, almost twice as many, will be represented this year compared to the last convention held in Atlantic City in 1947."

Program Incomplete

The program for the Convention, under the direction of President C. Francis Cocke, who is president, The First National Exchange Bank of Roanoke, Roanoke, Va., is nearing completion. There will be two general convention sessions, four division sessions, and other meetings of various A.B.A. committees, commissions, councils, and sections.

Registration headquarters for the Convention, the educational displays, and the general sessions will be at the Atlantic City Convention Hall. On Sunday evening, Sept. 28, member banks of the Philadelphia Clearing House will entertain registered delegates at a concert by the Philadelphia Orchestra, under the direction of Eugene Ormandy. The Philadelphia Orchestra is recognized as one of the world's outstanding symphonies.

The convention committees of New Jersey bankers designated by Elwood F. Kirkman, president, Boardwalk National Bank, Atlantic City, immediate past president, and Arthur M. Mueller, vice-president, The Trust Company of New Jersey, Jersey City, newly elected president of the New Jersey Bankers

Association, include the following:

Cooperating Committee of the New Jersey Bankers, Arthur M. Mueller, vice-president, The Trust Company of New Jersey, Jersey City, *Chairman*; Elwood F. Kirkman, president, Boardwalk National Bank, Atlantic City, vice-chairman; Paul Bestor, president, The Trust Company of New Jersey, Jersey City; Horace K. Corbin, president, Fidelity Union Trust Co., Newark; Warren N. Gaffney, Commissioner of Banking and Insurance, Trenton; Robert J. Kiesling, president, Camden Trust Company; Henry Knepper, president, First Camden National Bank and Trust Co.; William L. Maude, president, Howard Savings Institution, Newark; Clarence G. Meeks, president, Hudson Trust Co., Union City; William K. Mendenhall, secretary, New Jersey Bankers Association, Newark; F. Raymond Peterson, chairman of the board, First National Bank and Trust Co. of Paterson; Harry H. Pond, chairman of the board, The Plainfield Trust Co.; Mary G. Roebling, chairman of the board, Trenton Trust Co.; Frank W. Sutton, Jr., president and trust officer, The First National Bank of Toms River; and Carl K. Withers, president, Lincoln National Bank, Newark.

Committee Chairmen

The chairmen of other Convention Committees are:

Meeting Place Committee, Frank F. Allen, vice-president, Asbury Park National Bank and Trust Co., *Chairman*.

Hotel Committee, Harry T. Sickler, president, Guarantee Bank and Trust Co., Atlantic City, *Chairman*.

Information Committee, James C. Wilson, president, First Bank and Trust Co., Perth Amboy, *Chairman*.

Reception Committee, Mr. Mueller, *Chairman*.

Registration Committee, Robert G. Cowan, president, National Newark & Essex Banking Co. Newark, *Chairman*.

Ladies Committee, Mrs. F. Raymond Peterson, *Chairwoman*.

A.B.A. Credit Policy Commission Calls for Close Credit Scrutiny

In view of the recent suspension of Regulation W and the modification of Regulation X, the Credit Policy Commission of the A.B.A. has given BANKING its views on the outlook for credit and the continuation of the principles of the Voluntary Credit Restraint Program.

"For the remainder of the year," said the Commission, "the outlook for bank credit will require close and constant scrutiny. Therefore, so far as commercial banking is concerned, we believe that it is essential to give our full support to continuation of the principles of the Voluntary Credit Restraint Program. We should not let down our guard, now that the program has accomplished a great deal in helping to curb speculative and other non-essential uses of credit. We must retain the fundamental principles of the program with its tremendous flexibility, so that private banking can be prepared to withstand the onslaught of any new inflationary surge, if it should develop. This is the best insurance against mandatory Government controls of the type that are not consistent with democracy in the extension of credit."

Somewhat earlier Kenton R. Cravens, A.B.A. representative on the National Committee of the Voluntary

Safe Deposit, Bank by Mail, and Auto Loan Direct Mail Ads

Direct mail pieces offered recently to member banks by the Advertising Department of the A.B.A. include:

A red and blue folder featuring safe deposit facilities is captioned "There's No Place Like Home . . . for risking your valuables." The folder's illustrations dramatize this theme. A banner head on the inside fold, superimposed over a safe deposit box, reads: ". . . and No Place Like a Safe Deposit Box for Worry-Free Protection."

The second piece is a bank-by-mail blotter, with a display type introductory head reading: "Our doors are always open when you Bank by Mail."

The Department's folder-of-the-month covers bank auto loans and is entitled: "For Happy Motoring." A repeat blotter is captioned "A Cat May Have Nine Lives . . ." also featuring safe deposit boxes.

Credit Restraint Program, appeared for the Association before the House Banking and Currency Committee on H.R. 6546 and urged Congress to continue for one year the authority for the Voluntary Credit Restraint Program and to retain the V-Loan program for financing defense production throughout private sources.

BANK OFFICERS AT 1952 G.S.B. SESSION

Title	Class of—1952	1953	1954	Total
President	2	2	1	5
Vice-president	38	24	21	83
Assistant Vice-president	44	46	26	116
Cashier	14	16	9	39
Assistant Cashier	63	69	80	212
Trust Officer	18	20	15	53
Assistant Trust Officer	24	15	29	68
Secretary	5	4	6	15
Assistant Secretary	17	28	24	69
Treasurer	4	..	2	6
Assistant Treasurer	30	36	33	99
Auditor	7	13	11	31
Assistant Auditor	..	3	3	6
Comptroller	2	1	4	7
Assistant Comptroller	1	5	2	8
Branch Manager	5	2	8	15
Assistant Branch Manager	3	7	7	17
Department Head	16	13	30	59
Assistant Department Head	10	7	10	27
Examiner	18	15	18	51
Assistant Examiner	7	3	5	15
Miscellaneous	9	19	24	52
<i>Totals</i>	<i>337</i>	<i>348</i>	<i>368</i>	<i>1,053</i>

12 Regional Institute Leaders Conferences Set for This Summer

A series of 12 one-day regional Institute leaders' conferences for chapter officers and committee chairmen have been scheduled for the summer months by the National Office of the American Institute of Banking, according to National Secretary Robert C. Rutherford. A conference will be held in each of the Executive Council districts, with a national officer in attendance at each.

The purpose of the conferences is to bring chapter leaders together to discuss the techniques of chapter administration and to give leaders who did not attend the Institute's national convention in Houston an opportunity to participate in discussions of procedures.

Meetings will be held on the dates indicated in cities as follows:

June 28: Princeton, N. J.

July 19: Albany, N. Y.; Santa Barbara, Calif.; Des Moines, Ia., and Milwaukee, Wisc.

July 26: Monterey, Calif., and Yakima, Wash.

August 9: New Haven, Conn.; Washington, D. C.; Albuquerque, N. M.; Battle Creek, Mich. Wheeling, W. Va.

August 23: Nashville.

NEW MEMBERS

Ten banks in nine states and Mexico became members of the American Bankers Association during May, according to the monthly report of T. J. O'Brien, chairman of the Association's Organization Committee. Mr. O'Brien is vice-president of the Second National Bank, Houston, Texas.

The new A.B.A. members are:

CALIFORNIA: Buttonwillow National Bank, Buttonwillow.*

KANSAS: Douglas County State Bank, Lawrence.*

MARYLAND: Suburban Trust Company, New Hampshire Office, Takoma Park.*

MASSACHUSETTS: Guaranty Trust Company, Waltham.*

NEBRASKA: Staplehurst State Bank, Staplehurst.

NEW JERSEY: First National Bank of Tuckerton, Tuckerton.*

OHIO: Park National Bank of Newark, Hebron Office, Hebron.*

OREGON: Oregon State Bank, Brookings.*

WEST VIRGINIA: Bank of Greenville, Greenville.

MEXICO: Banco Comercial de la Republica, S. A., Tijuana, B. C.

* Newly organized bank.

State Banks Show Resources and Capital Account Advance; Earnings Decline

(CONTINUED FROM PAGE 72)

\$8,045,906,000, an increase of \$624,202,000 or 8.4 percent over 1950.

"At the end of 1951, loans and discounts, including overdrafts, aggregated \$35,497,418,000, an increase of \$4,211,115,000, or 13.5 percent. Of this total, state commercial banks held \$25,639,479,000 and mutual savings banks held \$9,857,939,000. This is the eighth consecutive year this item has shown an increase..."

Reviewing the earnings and expenses of 9,030 state commercial banks, the A.B.A. report shows that "Total current operating earnings aggregated \$2,005,442,000, an increase of \$212,524,000, or 11.9 percent over 1950. Profits before income taxes totaled \$647,517,000, an increase of \$54,907,000, or 9.3 percent. Net profits after income taxes totaled \$419,596,000, a decrease of \$1,880,000 or .4 percent under 1950. . . .

"The average rate of interest and discount earned per \$100 of loans and discounts was \$5 in 1951, compared with \$4.90 in 1950. The average rate of losses on loans to total loans and discounts was \$.30 in 1951, compared to \$.40 in 1950 and \$.50 in 1949. The average of interest and dividends earned on securities per \$100 of securities in 1951 was \$1.60, compared to \$1.70 in 1950. The average of losses on securities to total securities was \$.10, the same as last year.

Operating Expenses

"Total current operating expenses increased \$122,884,000, or 10.7 percent during 1951, to a total of \$1,268,621,000. Salaries, wages, and fees in all states totaled \$650,998,000, an increase of \$74,098,000, or 12.8 percent. . . .

"Income taxes, Federal and state, totaled \$227,921,000, an increase of \$56,787,000, or 32.2 percent over the previous year. Deductions of income taxes of \$227,921,000 from profits before income taxes totaling \$647,517,000, left net profits before dividends of \$419,596,000, a decrease of \$1,880,000, or .4 percent under 1950.

"Dividend declarations averaged \$3 per \$100 of total capital funds and aggregated \$176,579,000, an increase of \$9,487,000, or 5.7 percent above 1950."

CALENDAR

American Bankers Association

- | | |
|------------|---|
| Aug. 13-15 | Western Regional Trust Conference, Olympic Hotel, Seattle, Washington |
| Sept. 28- | 78th Annual Convention, Atlantic City, |
| Oct. 1 | New Jersey |
| Nov. 10-11 | Regional Savings and Mortgage Conference, Hotel Nicollet, Minneapolis |
| Nov. 13-14 | Mid-Continent Trust Conference, Adolphus Hotel, Dallas, Texas |

State Associations

- | | |
|-------------|--|
| July 15-16 | Central States Conference, Gull Lake, Minnesota |
| July 18-19 | West Virginia, The Greenbrier & Cottages, White Sulphur Springs |
| Sept. 11-14 | Mass. Savings, Mt. Washington Hotel, Bretton Woods, N. H. |
| Sept. 21-24 | Maine Savings, Wentworth-by-the-Sea, Portsmouth, N. H. |
| Oct. 14-15 | Connecticut Savings, Mountain View House, Whitefield, N. H. |
| Oct. 17-18 | New Hampshire Savings, Fall Meeting, Mountain View House, Whitefield |
| Oct. 19-21 | Kentucky, Brown Hotel, Louisville |
| Oct. 19-22 | Iowa, Fort Des Moines Hotel, Des Moines |
| Nov. 5-7 | New York Savings, Greenbrier and Cottages, White Sulphur Springs, W. Va. |

- | | |
|------------|------------------------------------|
| Nov. 10-11 | Nebraska, Lincoln |
| Nov. 20-22 | Arizona, Arizona Biltmore, Phoenix |

Other Organizations

- | | |
|-----------------|---|
| July 28-Aug. 9 | FPRA School of Financial Public Relations, Northwestern University, Chicago campus |
| Aug. 10-23 | School of Consumer Banking, University of Virginia, Charlottesville |
| Sept. 24-26 | National Association of Supervisors of State Banks, Lord Baltimore Hotel, Baltimore, Maryland |
| Sept. 25-27 | New York State Safe Deposit Association, Annual Convention, Hotel Claridge, Atlantic City |
| Sept. 26-28 | Association of Bank Women, Annual Convention, Atlantic City, New Jersey |
| Sept. 29-Oct. 2 | Mortgage Bankers Association of America, Annual Convention, Conrad Hilton Hotel, Chicago |
| Oct. 19-22 | Consumer Bankers Association, Annual Meeting, The Greenbrier, White Sulphur Springs, West Virginia |
| Oct. 20-23 | Financial Public Relations Association, Annual Convention, Hotel del Coronado, Coronado, California |
| Oct. 27-30 | National Association of Bank Auditors and Comptrollers, Annual Convention, Hotel Schroeder, Milwaukee |

Instalment Credit

News and Comment from Our Instalment Credit Commission and from Other Sources

Savings Banks and Instalment Loans

THAT a savings bank can have a satisfactory earnings experience from instalment loans while performing an added and valuable service to the savings customer is shown by The Bridgeport-Peoples Savings Bank of Bridgeport, Connecticut. According to Vice-president Samuel W. Hawley, his bank's loan portfolio falls into three categories: (1) Unsecured personal loans; (2) home improvement loans, either FHA-insured Title I—or, in accordance with recent amendments to the law, uninsured home improvement loans; and (3) secured instalment loans.

Briefly, here are some of Mr. Hawley's views on the place of savings banks in the instalment loan field:

"I suggest three main tests . . . to determine whether it (personal loan service) is one which can and should be rendered to the community:

"(1) *The need for this service is widespread.* Fundamentally, savings banks deal with individuals rather than with corporations. People need personal loans for several reasons. . . . A great deal of the need for this service originates right in the home ownership field. . . . After the originay individual accumulates enough for a down-payment on a house, he still has the job of equipping it. . . . We had been making passbook loans on a 4 percent basis, leaving it up to the borrower as to whether he paid it off at all. . . . We felt that offering a person the opportunity of borrowing on a one-year basis or less, without touching the balance on the account, was something a great many people really wanted. . . ." This way, Mr. Hawley declared, a man could borrow \$100 and keep his bank balance intact.

"(2) *Is it a service which a savings bank can render with efficiency and safety?* My answer is 'Yes.'"

Between January 1946 and April 1, 1952, Bridgeport-Peoples made personal loans (excluding FHA-insured home improvement loans) totaling \$2,244,000 on which a net reserve was set up of \$15,894. Its total charge-off amounted to \$3,292, or a net loss of .15 percent.

"(3) *Is this service akin to the fundamental purposes of the bank?* . . . In our interviews with personal loan customers we are able to do a very constructive job in helping them budget and plan their household expenditures and in helping them become savers by applying the practice and habit of monthly payments made to buy things to making monthly payments to accumulate savings. . . . Frequently, we not only get their loans paid off, but we have made them savers with a constructive budgeting job."

This Works The Other Way, Too

AT the recent A.I.B. Convention in Houston, Texas, Keith G. Cone noted that consumer credit customers are good possibilities for savings accounts.

Mr. Cone, who is vice-president of La Salle National Bank, Chicago, said:

"The consumer credit department will just naturally instill in a good portion of its customers the habit of methodical savings. It is my firm belief that a campaign directed toward those who are about to pay up their instalment loans or instalment finance accounts, based upon pointing out the advantages of a continuation of the payments by depositing them in a savings account, would be productive. It is a known fact that quite a number of people borrow even though they do have savings accounts which they could use, and in many instances they use those savings accounts as collateral. This is done in acknowledgment of the fact that if they save regularly, they will have it; whereas if they use their savings, it might take them a long time or

possibly never would they accumulate that amount again.

"The savings department can also help the consumer credit department. Every bank should alert its tellers to diplomatically and carefully watch the withdrawals of their savings customers so that when there is a withdrawal of size or a request for a withdrawal of any size, the purpose can be ascertained. If it is one that is a legitimate reason for a loan, the customer should be directed to the consumer credit department.

"The alert savings teller can, without too great difficulty, many times turn a withdrawal into a safe, sound, and profitable instalment loan. . . .

"The fundamental of the whole situation is education—education and training. Train the savings people; train the instalment credit people; train the mortgage people to be aware, not only of all the services which each department can render to the customers of that department, but also of the services and benefits the customers of that department can obtain from other departments.

"The alert mortgage department can also work closely with the consumer credit department to see that loans are fed to the consumer credit department and do not go to competitors. . . .

"It is not entirely a one-way street, either. The consumer credit department has contacts with contractors, builders, dealers of many kinds and types, and can bring the mortgage department into the picture by developing these contacts and showing the individual that the bank knows his problems, can understand them, and knows how to handle them.

"There is absolutely no reason why, with a proper promotional program and a proper educational program, each department cannot help the other to a much greater extent than has been the case heretofore."

Asterita Honored

SOME 120 bankers from New Jersey, New York City, Long Island, and Westchester County, active in consumer credit, met recently to honor Louis J. Asterita on his appointment as a deputy manager of the American Bankers Association.

They attended a dinner at the Downtown Athletic Club in New York. Present, too, were a number of insurance company representatives active in writing policies on the instalment credit business. Toastmaster was John Paddi, vice-president of Manufacturers Trust Company.

Mr. Asterita, who was advanced from the secretaryship of the Consumer Credit Committee at the same time that the Committee was made the Instalment Credit Commission, received a set of silver flatware from the group. There was also a leather-bound, gold-tooled and inscribed book marking the occasion which was signed by all those present.

Regional Instalment Credit Group

INDIANAPOLIS banks and trust companies active in instalment lending and financing recently organized the *Bankers Instalment Credit Association of Greater Indianapolis*.

Officers elected to serve for the first year are: President, G. Schuyler Blue, vice-president, American National Bank; vice-president, Dwight W. Casey, vice-president, Bankers Trust Company; secretary-treasurer, Nathan Resnick, assistant vice-president, Fidelity Trust Company.

The purposes of the organization are "to maintain a high standard of instalment credit practices and to carry on instalment credit educational programs among the membership." Regular monthly meetings will be scheduled.

Housing and Mortgage Credit

News and Comment from Our Savings and Mortgage Division and Other Sources

Government Eases Home Credit

EFFECTIVE June 11, down-payment requirements on homes were eased by the Government. The Federal Reserve Board and the Housing and Home Finance Agency Administrator, acting upon authority delegated to them by the President, modified Regulation X.

Below is a table showing the easier down-payment requirements permitted for houses:

Value	NEW		OLD	
	Public	Veterans	Public	Veterans
\$5,000	\$ 250	0	500	200
6,000	300	0	600	240
7,000	350	0	700	280
8,000	950	350	1,200	480
9,000	1,200	480	1,350	540
10,000	1,450	580	1,500	600
11,000	1,900	740	2,200	880
12,000	2,350	900	2,400	960
13,000	2,800	1,450	3,000	1,790
14,000	3,250	2,000	3,600	2,620
15,000	3,700	2,550	4,200	3,450
16,000	4,250	3,100	5,000	4,200
17,000	4,800	3,670	5,800	4,950
18,000	5,350	4,240	6,600	5,700
19,000	5,900	4,810	7,400	6,450
20,000	6,450	5,380	8,200	7,200
21,000	7,000	5,950	9,100	8,050
22,000	7,750	6,650	10,000	8,900
23,000	8,500	7,350	10,900	9,750
24,000	9,250	8,050	11,800	10,600
25,000	10,000	8,750		

On houses costing more than \$25,000, the new regulations fix 40 percent as the minimum down-payment by the public and 35 percent for veterans.

On houses costing more than \$24,500, the old regulations fixed 50 percent as the minimum down-payment for the public and 45 per cent for veterans.

Johnson for Regulation X Repeal

GEORGE C. JOHNSON, president of The Dime Savings Bank of Brooklyn, New York, and a member of the real estate committee of the Federal Reserve Bank of New York, has made a demand on Congress for the abolition of Regulation X.

In a statement filed with every member of the House and Senate only a few days before the Regulation X modification was announced, Mr. Johnson said in part:

"So far as liberal mortgage credit is concerned, nothing is a stronger weapon against inflation than sound loans based upon the borrowers' ability to pay. When a family buys a home, the mortgage money provided by a lender comes from savings and does not increase the total money supply of the country. . . ."

"Home building is one of the greatest means we have of creating real wealth. Purchase of new homes provides direct or indirect employment for one out of every six persons gainfully employed in this country, while the new houses themselves constitute something tangible in the way of wealth; something that has definite value."

New VA Fees Directive

T. B. KING, director of the loan guaranty service of the Veterans Administration, has issued a new directive to loan

guaranty officers regulating fees and charges in connection with VA loans.

The new directive is the result of a growing tendency in building operations to discount GI loans in the open market, absorbing the costs which this type of financing involves. A serious question arose as to the possible violation of the regulations protecting the veteran against excessive fees incident to home financing under the Service-men's Readjustment Act.

In opposition to this type of practice, a letter was sent to Director King by Harry R. Templeton, vice-president of The Cleveland Trust Company, on May 14, 1952. Mr. Templeton pointed out the dangers of permitting this practice to continue and the injustice of it to the veteran and to the lender.

Mr. King's reply was a statement of the sound principles of mortgage lending to which the VA adheres and he expressed the desire and intention of taking corrective measures.

The correction is accomplished by the new directive and certification to the effect that no charges or fees for financing the construction or sale of dwelling units will exceed limits prescribed by local schedules; that no agreements to sell the permanent mortgages at less than par has been entered into before the closing of the loans; that any agreement to repurchase the permanent loans from a lender shall be bona fide and in writing; and while the agreement is in effect negotiating the sale of loans, or obtaining commitments to purchase them, at less than par is prohibited.

Self-Help Housing

THE last hurdle was cleared recently for an adventure in self-help housing when two large Philadelphia banks approved mortgage loans of \$357,000 for the project sponsored by Friends Service Incorporated and the Friends Neighborhood Guild.

Authorized by the Philadelphia Saving Fund Society and the Fidelity-Philadelphia Trust Company, the loans are about 90 percent of the estimated cost of restoring a blighted half block.

Home Ownership Expenditures

HERE'S what a New York Life Insurance Company study shows as the "Average Expenditures of Typical Families for Home Ownership in 1951":

Gross Annual Income	Annual Cost of Home Ownership (Shelter)		Percentage of Gross Income	
	From	To	From	To
\$ 3,000	\$ 900	\$ 950	30.0	31.7
4,000	1,000	1,100	25.0	27.5
5,000	1,100	1,250	22.0	25.0
6,000	1,200	1,350	20.0	22.5
7,000	1,250	1,450	17.9	20.7
8,000	1,350	1,550	16.9	19.4
9,000	1,500	1,700	16.7	18.9
10,000	1,600	1,800	16.0	18.0
11,000	1,700	1,900	15.5	17.3
12,000	1,750	2,050	14.6	17.1
13,000	1,800	2,100	13.8	16.2
14,000	1,900	2,250	13.6	16.1
15,000	2,000	2,400	13.3	16.0
16,000	2,050	2,450	12.8	15.8
17,000	2,100	2,500	12.4	14.7
18,000	2,100	2,550	11.7	14.2
19,000	2,200	2,650	11.6	13.9
20,000	2,200	2,700	11.0	13.5
21,000	2,200	2,750	10.5	13.1
22,000	2,300	2,900	10.5	13.1
23,000	2,300	2,950	10.0	12.8
24,000	2,300	3,000	9.6	12.6
25,000	2,350	3,100	9.4	12.4

New York Life lumped together, in arriving at estimates: "Annual mortgage charges, including principal and interest; realty taxes; fire insurance; estimated heat and water bills; and property maintenance, which includes repairs and decorations.

Savings

News and Comment from Our Savings and Mortgage Division and Other Sources

Minnesota Savings Study

How to Make Your Savings Work for You is the title of a recent 50-page study published by the School of Business Administration, University of Minnesota, Minneapolis. The study was made by the Business Executives' Research Committee, on which banking was represented by John De Laittre, vice-president of the Farmers & Mechanics Savings Bank, Minneapolis, and A. C. Buffington, assistant cashier, First National Bank of Minneapolis.

The study is in three parts: (1) cash savings outlets; (2) insurance, pensions, and real estate; and (3) securities. A second volume is in preparation.

It was made possible by a grant to the University by the Committee for Economic Development of New York City.

Copies may be obtained at 25 cents each from School of Business Administration.

Economics Conference

A THREE-DAY Conference on Savings, Inflation, and Economic Progress was held in mid-May on the University of Minnesota campus, with several Minneapolis banks as sponsors and some of their executive heads taking active parts. Serving on the advisory committee were Arnulf Ueland, president, Midland National Bank; H. S. Kingman, president, Farmers and Mechanics Savings Bank; J. Cameron Thomson, president, Northwest Bancorporation; and J. Marvin Peterson, director of research, Federal Reserve Bank. This program was interrelated to the study project described elsewhere on this page.

Slogan Contest

A SAVINGS bank slogan contest is being conducted by The Savings Banks Association of the State of New York with 116 prizes at stake. All personnel of the New York savings banks are eligible to compete.

The objective of the contest is to suggest a simple phrase or sentence (in 15 words or less) which will sell the idea of saving at a savings bank.

A contestant may enter as many slogans as he wishes. First prize is a vacation trip for two to Bermuda with all expenses paid, plus \$300 spending money. Or, if the first-place winner prefers, he can receive \$500 in cash.

Institute on Personnel

A THREE-DAY Institute on Personnel for Savings Bankers will be held August 6-8 at Cornell University, Ithaca, New York, under the joint sponsorship of The Savings Banks Association of the State of New York's committee on employee relations, and the New York State School of Industrial and Labor Relations.

The conference, which is the second of its kind, is intended for personnel officers and for other representatives of top management in charge of Personnel Administration.

The first day will be devoted to "Developing the Management Team," including such problems as organizing the development program, providing the proper climate for development, and development through management conferences.

The second day's sessions will be given over to "Salary Administration." It will include job evaluation and the administration of the salary program.

The third and final day's sessions will cover "Reducing Costs Through Effective Employee Utilization." Selection,

Left to right,
above, Mr. Ueland
and R. W. Gold-
smith, Life Insur-
ance Associa-
tion of America



placement, transfer, promotion; training and education of the employee; and getting employee cooperation toward greater productivity will be some of the subjects covered.

Instructors will be members of Cornell faculty and leaders with wide experience in training in each of the subjects of the program. Ample time will be allowed for questions and discussions of any problems raised by the participants.

Helen R. Feil, assistant secretary of The Dime Savings Bank of Brooklyn, is chairman of the subcommittee planning for the Institute. Other members of the committee are William L. Barton, personnel director of the East River Savings Bank, Marie J. Darcy, personnel officer of the Excelsior Savings Bank, and Daniel P. Pirrmann, vice-president of the South Brooklyn Savings Bank.

Junior Achievement Co-op

BANKS were urged to investigate the possibility of setting up school savings programs in their communities in cooperation with Junior Achievement, Inc., in an address by Alex Lindholm, assistant vice-president, The Fulton National Bank, Atlanta, Georgia, at the Savings and Mortgage Conference of the 50th Annual Convention of the American Institute of Banking in Houston.

"Here is an idea of training among high school students in business and commerce," Mr. Lindholm said. "Why not banking?"

"Aptly has it been said, 'The future of the nation belongs to the youth of today.' No nations have better recognized this fact than the totalitarian nations which spend countless thousands of dollars and untold hours in training their youth. We in America are not lacking in this perception either . . . as surely as night must come, will the leadership in the world of commerce, finance, and industry fall upon the shoulders of our children. . . .

"School savings as we see it has a dual purpose. One aim is to instill in the minds of high school boys and girls the value of saving money and the management of funds. The other purpose is to afford graduating students an opportunity to become familiar with the basic fundamentals of business practice through actually taking part in such practice. Out of these two purposes arise similar benefits. The total accounts saved in each student savings bank represent a single deposit, with the sponsoring bank serving as depository. The second benefit is the automatic creation of a pool of experienced bank clerks seeking employment after graduation. The banks of Atlanta have drawn heavily upon these graduates for permanent employment."

Trust Service

News and Comment from Our Trust Division and Other Sources

Western Conference Program

WHILE the program for the Western Trust Conference to be held at the Olympic Hotel in Seattle, Washington, August 13 to 15, is incomplete at press time, a partial list of speakers has been announced. These include Joseph W. White, president, Trust Division of the American Bankers Association and vice-president, Mercantile Trust Company, St. Louis; DeWitt Williams, immediate past president, Seattle Bar Association and member of the Seattle law firm of Eggerman, Rosling & Williams; Earl S. MacNeill, vice-president, Irving Trust Company, New York, and a regular contributor to BANKING; and Charles I. Stone of the Seattle firm of Holman, Mickelwait, Marion, Prince & Black.

The second session of the Conference will be devoted to "The Profit Problem" of the trust business. There will be discussions on several topics bearing on earnings, such as promotional policies, ordinary service fees, economies to be effected by systems and mechanization, investment review procedures, and the use of the common trust fund.

Discussions at other sessions will cover investments, personnel, and estate planning.

New Yorkers Meet With Legislators

A SERIES of six meetings in various areas of New York State at which trust men gathered with the legislators and surrogates from the surrounding districts has recently been completed under the auspices of the trust division of the New York State Bankers Association.

The meetings, held in East Aurora, Syracuse, Binghamton, Mineola, Albany, and Rochester, departed from the pattern which has marked such gatherings since 1948, and instead of a prepared program on a current subject the legislators were invited to tell the bankers about their work in Albany. At five of the meetings James M. Trenary, vice-president of the United States Trust Company of New York and chairman of the trust division, explained the extended research which had preceded the suggestion of legislative proposals, and in Rochester this was done by John W. Remington, executive vice-president of the Lincoln Rochester Trust Company.

The several legislators were strong in voicing appreciation of an informed electorate to which they could turn for pertinent information on matters proposed, as against a shower of demands that a bill be supported or opposed without any cogent reasons pro or con.

The primary purpose of the meetings was to enable the trust men to meet and talk to the men and women who must pass on legislative proposals and at the same time to provide for the legislators local sources of information upon which they can rely. The fact that 62 legislators and judges indicated their approval of the idea by participating in the meetings gives credence to the thought of the planners that such gatherings could be mutually beneficial.

LaSalle's Common Trust Fund

LA SALLE National Bank of Chicago as of June 1 established within its trust department a common trust fund, to be known as the Diversified Trust Fund of La Salle National Bank. This fund will conform with Illinois enabling legislation concerning the establishment of common trust funds, as well as regulations of the Board of Governors of the Federal Reserve System applicable to such funds.

President John C. Wright stated in announcing the fund, that its purpose "is to secure wider diversification of investments and greater stability of income and principal values through the collective investment of funds of participating trusts."

Mr. Wright pointed out that a number of other states also have the permissive legislation and that approximately 100 banks have common trust funds in operation.

Participation in the La Salle fund is limited under the law and regulations to trusts created for *bona fide* fiduciary purposes for which the bank is acting as trustee, either alone or jointly with others. The bank may not invest its own or customers' funds in the diversified trust. Likewise, funds from probate accounts for which the bank is acting as executor, administrator, conservator or guardian are not admissible under present Illinois law.

Investments in the fund will be of the type permitted by the "Prudent Man Investment Rule" for trustees in Illinois, with the exclusion of real estate and mortgages.

U. S. Trust's Estate Booklet

A 21-PAGE study covering estate planning and administration, titled *It Takes More Than Good Intentions*, is being distributed by the United States Trust Company of New York and copies are available upon request.

The booklet enumerates 40 of the most important duties of an executor; points out difficulties and dangers that arise, in estate planning etc., etc.

"Check Now"

TO stimulate public thinking on estate planning, the Dallas Estate Council conducted an extensive educational campaign keyed to the slogan "Check Now." The council comprises attorneys, insurance men, trust officers, and accountants.

Advertising space, posters, and television told people about such things as trust benefits and the tax misfortunes that can result from inadequate planning. Tellers in Dallas banks wore "Check Now" buttons and distributed leaflets answering questions raised by the slogan. Postage meters of banks and insurance companies carried the campaign's emblem.

There was also a lecture series for women on estate planning. Members of the council spoke at service club luncheons.

Estate Planning Team

SPEAKERS at the Trust Business and Investments Conference at the 50th annual convention of the American Institute of Banking in Houston, Texas, last month included: Halsey G. Bechtel, Jr., trust officer, Central Trust Company, Cincinnati, and O. Roy Stevenson, assistant trust officer, The Fort Worth National Bank.

"Effective estate planning requires equal cooperation by the trust man, the lawyer, the life insurance underwriter, and the accountant," said Mr. Bechtel. "Each group has its own specialty and in planning any large estate, the services of all are generally needed."

"Much new trust business can be obtained through the combined efforts of the members of the team and the professions they represent."

Mr. Stevenson's talk emphasized the opportunities in investment management. "Investment and supervision of trust funds offer a challenging, interesting, and productive career for those who develop or have a genuine interest in this field," he said. "It is a field which is growing in importance and volume. The work offers unlimited opportunities for the development of one's knowledge and judgment, restricted only by his own lack of energy and curiosity. The work, when well done, affords considerable personal satisfaction through having rendered a valuable service to your employer and a wide range of individuals in all walks of life."

Here's a revolutionary, new way to add figures!

**Rhythm-add ups adding speeds
by as much as 160%!**

Boosts production, slashes overhead!

Monroe will train your operators free!

You'll be amazed at how this new, scientific method can increase the speed and output of your adding machine operators after only a brief period of instruction.

Tested in 250 typical American companies, operators trained in Monroe Rhythm-add* totalled as many as 126 items a minute! Figure production in some cases increased 160%! Tension disappeared, errors were reduced, operators worked more smoothly, more efficiently.

Your Operators Will Welcome Rhythm-add

It's so simple, easy to learn. And Monroe will train your operators in your own office and without cost or obligation to you. Read what this revolutionary new technique has accomplished for many progressive companies, *including banks . . .* learn what it can do for YOU. Send for the new free booklet "All Hands Take to Rhythm-add." Mail the coupon today.

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MONROE CALCULATING MACHINE COMPANY
General Offices, Orange, N. J.

July 1952



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"Punch and Plod" Operation
Fingers lack speed, rhythm, and coordination. Operator uses much more energy, tires faster, accomplishes less, makes more mistakes.



Monroe 410 Adding Machine
one of more than 50 models

NEW

Rhythm-add Way

Camera shows how smoothly, effortlessly operator's fingers glide over keyboard. Result: greater speed, production, fewer errors, less fatigue.

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Publications Dept., Orange, N. J.

Please mail free booklet on Monroe Rhythm-add.

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HEY, Houston . . . It Was *Wonderful!*

JOHN J. McCANN

LIKE IT! Hey, Houston . . . TEXAS, it was wonderful! And, we're talking for some 1,500 A.I.B. delegates, now back home, who won't soon forget what a 10-gallon hatful of hospitality feels like. It took a lot of doing to put on a show like the 50th Annual Convention of the American Institute of Banking; but who was better qualified to make the week of June 2-6 more memorable than the guys and gals of the Houston Chapter who put it this way: "We'll exile anyone who doesn't help you enjoy it—and of course exile to a Texan is a fate worse than death."

What did we-all do, reader? Well, here's Sunday, June 1, with chapter delegations popping into Houston from every section of the country by car, bus, plane, and special train-loads routing out of Chicago and New York. It's bedlam for the cabbies and hotel room clerks—but the nice, jolly kind of bedlam conventioning A.I.B.'ers create. The headquarters, Rice Hotel, is skirted in bunting; the corps of white linen suited welcoming committee mixes among delegates from everywhere. We're off for a five-day week of renewing old friendships and building new ones; a week of serious application to business, and a little fun and frolic.

Before you know it, the convention is underway, and it's Monday and proud Houston ushers you aboard buses to give you a sightseeing tour of her skyline, the sprawling industries, the universities and parks, the Shamrock—all of which is no more than a glimpse of her astounding progress.

Now we're back to register before the first business session. We're filling the Crystal Ballroom to capacity as President Alton B. Barr pounds the gavel to launch the serious side of the convention program. Reverend E. H. Westmoreland, D. D., pastor of the South Main Baptist Church of Houston, gives the invocation. Then M. D. Jenkins, general chairman of the local convention committee, extends a warm and hearty Texas welcome, plus the keys to Houston.

Dr. Leroy Lewis, A.I.B.'s national educational director, reports the year's progress in the preparation of new and revised textbooks, progress in expanding the orientation program for new employees, the short courses, and the formal education programs.

President Barr's report leaves no area for doubt that the success of the Institute is predicated on the self-interest for educational advancement among members, and for the over-all good of banking. You learn that the A.I.B. now boasts over 93,000 members, with more than 42,000 enrolled in classes.

There is a standing ovation at the introduction of Dr. Harold Stonier, executive manager of the A.B.A., and keynoter for the convention. Hal's address carries an inspiring note for the opportunities and the challenges faced in present-day banking. He makes the point that banking is composed of certain exact and inexact sciences—economics, law, and accounting—which familiarize the student with the basis of the business. He emphasizes that the application of that knowledge is equally and in some areas of public contact more vitally important than methodical skills. He appeals to the delegates that each should take his position as a community spokesman for good government.

President Barr, on behalf of the Institute, honors Dr. Stonier and Floyd W. Larson, A.I.B.'s former national secretary, with scrolls citing their outstanding service to the banking business: to Hal in recognition of his 25th year of association with A.I.B. and A.B.A., and to Floyd as a

testimonial of esteem for close to 15-years of service before recently assuming the executive secretaryship of the Minnesota Bankers Association.

Before the gavel pounds for adjournment, there's a war whoop from the Cleveland contingent and the swoop of a model jet plane as 1953 General Convention Chairman D. James Pritchard of the Society for Savings, Cleveland, sells you his fair city for the next meeting.

Tonight we attend the National Public Speaking Contest for the A. P. Giannini Educational Endowment Prizes—an honor that attracts the participation of thousands of students in 12 district contests which deliver their respective semi-finalist for the convention. Now the finalists battle it out on the theme, "Education of the Citizen in His Responsibility for Good Government." Hugh Darling of the Riggs National Bank, Washington, D. C., takes top honors.

Stretch your bones early Tuesday for the first Educational Session and learn from Frank M. Dana, vice-president-supervisor of operations at Bank of America, San Francisco, an outline of today's pressing requirements. Hear the panel discussion of a design for a formal educational program. Or maybe you want to take in a departmental conference down the hall on Trust Business and Investments. Hear O. Roy Stevenson, assistant trust officer, The Fort Worth (Texas) National Bank, discuss the opportunities for investment personnel.

We can either attend the second Educational Conference which carries through the morning theme, or make the departmental on Savings and Mortgage. Let's catch a word from Keith G. Cone, vice-president, La Salle National Bank, Chicago, discussing consumer credit customers as an excellent source of new savings accounts. He calls for a promotional and educational program through which every department of the bank will be aware of the interdepartmental sales opportunities within the bank.

We can take a minute between sessions to visit BANKING's educational displays and see what's new in equipment and bank supplies and services. If you are interested in advertising promotions, you can see the winning entries from BANKING's Annual Forum-in-Print.

Let's take a look now at the A.I.B. National Publicity Exhibit which has drawn entries from 44 chapters. These scrapbooks contain newspaper clippings, programs, photographs, and similar promotion material developed by the chapter during the year.

Tonight is another big night—the contest for the Jesse H. Jones National Convention Debate Fund Prizes. Two-men teams representing Oklahoma City and New Haven argue the question: "Resolved, That the Best Interests of the United States Would Be Served by a Bipartisan Foreign Policy." The lads from Oklahoma taking the negative side, Grady D. Harris, Jr., and Frank J. Lake, both of the Liberty National Bank, sell their stand to the judges, and the awards are made with much fanfare. An honorary scroll of citation is accepted by A. Dee Simpson, vice-chairman of the board, National Bank of Commerce, Houston, for Jesse H. Jones, chairman, commending his contribution to banking education through the establishment of this fund.

Here we are at Wednesday for morning sessions of departmental and Institute conferences, discussing credits and public relations. Robert S. Pringle, vice-president of the Fulton National Bank, Atlanta, talks for the small business-

(CONTINUED ON PAGE 93)



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ABOVE LEFT—Left to right: National Secretary Robert C. Rutherford, Past President J. Kaye Ewart, vice-president, National Bank of Washington, Tacoma; immediate Past President Alton P. Barr, vice-president, Security Commercial Bank, Birmingham; newly inaugurated President Martin J.



Travers, vice-president, The Marine Trust Company of Western New York, Niagara Falls; and National Educational Director Leroy Lewis. **ABOVE RIGHT—New members of the National Executive Council.** See page 82. *Left to right;* Messrs. Blackburn, Reinhart, Brenneman, and Cairns



A. Dee Simpson (*left*), vice-chairman of the board, National Bank of Commerce, Houston, receives on behalf of Jesse H. Jones a scroll from President Barr, citing Mr. Jones' contribution to banking education through the Jesse H. Jones National Convention Debate Fund



Dr. Harold Stonier (*left*), executive manager of the American Bankers Association, receives from Mr. Barr a scroll commending his service to the Institute and marking his 25th anniversary with the Association. In the center is Mr. Travers, who succeeded Mr. Barr as A.I.B. president.



Delegates at one of the departmental sessions



BANKING'S Educational Display of equipment and services

50th Annual A.I.B. Convention Log

ELECTIONS

President

Martin J. Travers, vice-president, The Marine Trust Company of Western New York, Niagara Falls

Vice-president

Stetson B. Harman, trust officer and assistant secretary, First Trust and Savings Bank of Pasadena, Pasadena, California

Executive Councilmen

Milton A. Blackburn, vice-president, Bank of America NT&SA, San Francisco, California

Theodore M. Reinhart, Loop National Bank of Mobile, Alabama

J. Robert Brenneman, The Metropolitan Bank of Lima, Ohio

J. Albert Cairns, Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania

* * *

A.I.B. NATIONAL PUBLIC SPEAKING CONTEST

A. P. Giannini Educational Endowment

SUBJECT: *Education of the Citizen in His Responsibility for Good Government*

First Award

Hugh Darling, The Riggs National Bank of Washington, D. C.

Second Award

Francis M. Keeley, National Shawmut Bank of Boston.

Third Award

William T. Allen, American Trust Company, Oakland, California

Other District Winners

Mrs. Violet W. Newton, The National Bank of Geneva, New York

Ralph W. Strain, Peoples First National Bank & Trust Company, Pittsburgh, Pennsylvania

Roger Bruce, Third National Bank, Nashville, Tennessee

Virgil Murdock, The First National Bank and Trust Company, Oklahoma City, Oklahoma

Donald M. McMahon, Security-First National Bank of Los Angeles, Los Angeles, California

Irving H. Friese, National Bank of Washington, Tacoma, Washington

Mrs. Mildred F. Wilson, Security National Bank, Kansas City, Kansas

Francis J. Hilkin, City National Bank & Trust Company, Chicago, Illinois

Mary Lou Edwards, Fifth Third Union Trust Company, Cincinnati, Ohio

Judges

The Honorable St. John Garwood, associate justice, Supreme Court of Texas, Austin, Texas

Francis Marion Law, chairman of the board, First National Bank of Houston, Houston, Texas

Glenn R. Capp, chairman, Department of Speech, Baylor University, Waco, Texas

A.I.B. NATIONAL CONVENTION DEBATE

Jesse H. Jones National Convention Debate Fund

QUESTION: "Resolved, That the Best Interests of the United States Would Be Served by a Bipartisan Foreign Policy."

Winning Team (Negative)

Oklahoma: Grady D. Harris, Jr., and Frank J. Lake, both of the Liberty National Bank and Trust Company, Oklahoma City

Losing Team (Affirmative)

New Haven: Robert M. Chidsey, New Haven Bank NBA, and Charles E. Van Dine, American Bank & Trust Company

Judges

H. M. Seydler, senior vice-president, Second National Bank, Houston

A. A. White, dean, School of Law, University of Houston, Houston

Glenn R. Capp, chairman, Department of Speech, Baylor University, Waco, Texas

Semi-finalist Teams

Cleveland: Ralph G. Goddard, Central National Bank, Cleveland
Maurice K. Lewis, Jr., The Cleveland Trust Company

Whatcom County, Washington: Jack C. Hood, First National Bank, Ferndale
C. A. Pittson, Jr., Seattle First National Bank, Bellingham

* * *

A.I.B. NATIONAL PUBLICITY EXHIBIT

CLASS A (Chapters with membership of 751 or over)

First—Chicago, Illinois

Second—Boston, Massachusetts

Third—Los Angeles, California

CLASS B (Chapters with membership of 251 to 750)

First—Scranton, Pennsylvania

Second—Oakland County, Michigan

Third—Passaic County, New Jersey

CLASS C (Chapters with membership of 250 or less)

First—Elmira, New York

Second—Fort Wayne, Indiana

Judges

Charles L. Bybee, executive vice-president, Houston Bank and Trust Company

John T. Jones, president, *The Houston Chronicle*

Kern Tips, Wilkinson-Schiwetz and Tips, Inc., Houston

* * *

HONORARY PRESENTATIONS

JESSE H. JONES, chairman of the board, National Bank of Commerce in Houston and former U. S. Secretary of Commerce, received a scroll citing his contribution to banking education through the Jesse H. Jones National Convention Debate Fund.

DR. HAROLD STONIER, executive manager of the American Bankers Association, received a scroll citing his outstanding service to the banking business, and honoring his 25th anniversary with the Association.

FLOYD W. LARSON, executive secretary of the Minnesota Bankers Association and former national secretary of A.I.B., was honored with a scroll citing his 14½ years of service to the Institute.



ABOVE LEFT—The new A.I.B. top officers. See page 82. Left, Vice-president Harman; right, President Travers. CENTER—A.B.A. President C. Francis Cocke, president, First National Exchange Bank, Roanoke, Virginia, addressing

the second business session. RIGHT—Judges of the National Public Speaking Contest for the A. P. Giannini Educational Endowment Prizes. See page 82. Left to right: G. R. Capp, Judge Garwood, and Mr. Law



ABOVE LEFT—Public Speaking Contest winners. See page 82. Left to right: Committee Chairman Brairton, Second Prize Winner Keeley, First Prize Winner Darling, and Third Prize Winner Allen. ABOVE RIGHT—Debate team winners hold their trophy. See page 82. Extreme left, Frank J. Loke;



extreme right, Grady D. Harris, Jr. In the center, left to right, are Debate Committee Chairman George W. Geuder, Tradesmens National Bank and Trust Company, Philadelphia; President Barr, and A. Dee Simpson, vice-chairman of the board, National Bank of Commerce, Houston



Judging scrapbook entries in the National Publicity Exhibit. See page 82



The grand ball in the Shamrock Hotel Emerald Room marked the official end of the convention



A Friend to the Entire Community...

Through the many services it offers, the financial institution helps the members of its community develop habits of thrift and self-reliance which lead to individual financial security.

By joining Christmas Club, millions of people all over the country have had their first introduction to financial institutions and the many services financial institutions offer.

Each year, Christmas Club, A Corporation, helps channel millions of Christmas Club dollars into financial institutions. Through its yearly national promotional campaign, Christmas Club, A Corporation, urges Christmas Club members to use the many other services offered to them by financial institutions.

Why not have a staff representative of Christmas Club, A Corporation, discuss the Christmas Club plan with you? He has every system for efficient operation and a wide variety of proven advertising material to build a profitable program to meet your local needs.

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FOUNDED BY HERBERT F. RAWLIS
230 PARK AVENUE, NEW YORK 17, N.Y.

BUILDS SAVINGS • BUILDS CHARACTER • BUILDS BUSINESS FOR FINANCIAL INSTITUTIONS

Bank Loans

(CONTINUED FROM PAGE 45)

led to believe that there would be shortages of many things as our defense spending rose. We did not increase our defense spending as fast as we expected and we produced more of everything than we thought we could. Accordingly, few shortages occurred. Instead we ran into excess supplies of some things. We had failed to appraise properly (1) the ability of our people to produce, and (2) the productive ability of our total manufacturing facilities, including the new plant and equipment of well over \$100-billion put in place since 1946. We had guns and had butter.

There are some who feel that this great productive capacity is our insurance against any real or runaway inflation. Some of these folks also say that this tremendous plant capacity is bound to create overproduction in many industries and, as proof of their statement, they point to the recent excess supply of television sets, appliances, textiles, hosiery, furniture, etc. This group fears deflation more than inflation in the near-time future.

Spending Held Back

Another factor which caused a change in our thinking was the incorrect guesses which were made as to the spending of our people. Always before, as incomes increased, spending likewise increased proportionately. We anticipated that the same pattern would be followed last year, but it was not. Our people, though incomes were greater, began in the late spring and early summer to expand their savings at a rate greater than we had expected. Some of this was caused by high prices—higher than many of the public felt were justified—and, as a consequence, buying declined. Part of this was caused by the fact that some consumers had anticipated in 1950 and in early 1951 their needs for some time to come. In any event, savings rose, and this reduced the demand for certain goods and contributed to an oversupply of some consumer goods—textiles, appliances, etc. Some price adjustments downward have resulted and more price declines are expected in some quarters. Savings are expected to continue in 1952 at a high level.

Of course the policy of the Federal Reserve System, as well as efforts of the Voluntary Credit Restraint Program, also helped to dampen the inflationary pressures. We have been witnessing a decline in loans (though our loans are still high) and recently some of the selective controls of the Federal Reserve System have been released and the Voluntary Credit Restraint Program has been placed in mothballs.

There are some who would have you believe that we are on the verge of a recession, and they could be correct. On the other hand, with the sizable defense spending (the largest single factor in our economy) expected to continue and at a higher rate than at present, it is hard to visualize a real tail spin. Undoubtedly, some industries will have their problems when, as, and if they produce more than the market will take, as we have seen happen in a number of lines in the past year. It appears most unlikely that we will have a real downturn this year. On the contrary, 1952 should be a good year, with fall business as a whole being very satisfactory. Many real authorities believe, incidentally, that in the recent past we have placed more emphasis than is proper on the deflationary factors which are present today.

What about the volume of loans between now and the year-end?

The withdrawal of Regulation W



"I just borrowed fifty bucks from the Loan Department, Boss. Now then, as a customer of this bank, let me tell you . . ."

has resulted in far fewer sales than some merchants anticipated would be made. There are a good number of well informed people who believe that total instalment credit by December 31, 1952, will be somewhat under the figure at December 31, 1951, with consumer credit showing little if any net change. For the past several months, though, consumer loans have been increasing. Short-term retail credit with department stores may rise this fall if an expected increase in sales of consumer soft goods take place.

Increase Expected

Some increase between now and the year-end is expected in commercial industrial and agricultural loans of commercial banks. There will be seasonal loans for crop movement and also for the fall wholesale and retail trade. As prices are lower in many cases, these increases will not be as great as might appear likely at first glance. Defense loans will also contribute to some degree to an overall rise in this class of loan but a good part of these advances for defense purposes have already been obtained. In total, loans in the commercial, industrial, and agricultural category will not rise to any great extent from present figures, it is believed by many, though, on the other hand, no decrease is anticipated.

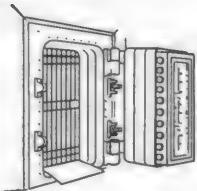
Real estate loans this year will be influenced by the number of new houses constructed, and these in turn will be affected by governmental restrictions. It would appear now that starts in 1952 will run somewhat under the 1,100,000 starts in 1951 and may be about 900,000. (Certain reliable people have expressed the opinion that we are overdoing this residential building and that not too far distant there will be a slump in real estate.) It would appear likely that real estate loans in our banks will rise some between now and the fall but that curtailment between now and the year-end will about offset these new loans and that the total at December 31, 1952, will be very little different from that of December 31, 1951.

In the early part of this year, business capital additions and expenditures were running at a rate higher than last year, which in turn was the record year in this respect. Many informed sources are of the opinion that these expenditures will decline

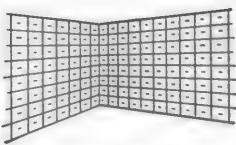
(CONTINUED ON PAGE 88)

Announcing

An important development



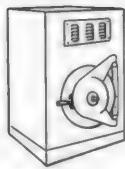
Bank Vault Doors $1\frac{1}{2}$ " to 60" thick. The choice of Federal Reserve District banks.



Safety Deposit boxes of Diebold 180-grain satin finish or stainless steel.



Rekordesk Safes electrically protect more savings records than any other record container.



Chests and Safes with exclusive Diebold-York drill-proof manganese door plate.

drive-up banking-by Diebold

The drive-up banking counter pictured at the left is important news to progressive bankers everywhere. It is the result of five years of research and development by Diebold, pioneer in Drive-up Banking.

It incorporates more than 30 specific advantages both for depositors and bank personnel. Diebold offers a counter so functionally sound and so completely in harmony with present-day bank architecture. Its 80-inch expanse of bullet-proof glass, complete counter visibility and many other features including motorized deal tray will interest you and please you.

The design of this new series reflects the accumulated experience of 486 bankers with backgrounds in drive-up banking. Their suggestions helped Diebold engineers produce this new series in three sizes with optional accessories to meet every requirement.

This important forward step in drive-up banking is new evidence of Diebold's traditional leadership in banking equipment. Let your Diebold representative give you the complete story.

Diebold

INCORPORATED

Pre-eminent since 1859



General offices and plants: Canton 2, Ohio

Offices in all principal cities

24-Hour Service by factory trained experts from coast to coast



More banks rely on Diebold-McClintock Alarms than all others combined.



24 models of Night Depositories, equipped with exclusive "anti-fishing" device.



Diebold-McClintock Vault Ventilator for positive protection in case of accidental lock-in.

CONTINUED FROM PAGE 85)

later in the year and that the outlay for these purposes in 1952 will run under the 1951 total. Some bank loans, however, will undoubtedly result from these expenditures. We should watch these carefully, as well as the loans to customers who may be overtrading. Many slow capital loans are being made today and these can be troublesome and costly if we don't service them properly.

On balance, weighing all factors, it would appear that we can expect no great change in our loan volume.

We do not contemplate any decrease of consequence but think that some modest increase in the total is much more likely.

We are convinced, however, that we will have more and more "soft spots"—more loans which will need attention and care. Perhaps, as far as our loans are concerned, we may be more vulnerable today than we have been at any time since 1933. First, we have more loans. Second, we have more borrowers whose capital is thin in relation to debt. Third, we have had a long, long period with virtually no losses. Fourth, we are

operating on a high-price level and we have found in the past year that prices can go down as well as up. Fifth, the circumstances in the past several years have caused us to acquire bad habits—in lending, in servicing our loans, in collecting our loans. Many unsound moves on our part and on the part of our customers, fortunately, have been overcome and offset by unusual conditions. We've forgotten many fundamentals and may learn them again the hard way. Sixth, our plant capacity can create over production in some lines and bring about cutthroat competition and losses. Seventh, we have in our portfolio many capital loans—actual and potential. Eighth, our economy during and since World War II has kept alive some marginal producers, many of whom will be in trouble when and if their industry turns down.

These are not all the points which can be made but are sufficient for illustrative purposes.

"We're Acting Now"

The other day a banker friend of mine, whose judgment I admire greatly, told me he was preparing for the storm. "We shouldn't have many worries between now and 1953, but somewhere, not very far off, there's trouble ahead," he said. "I'm going over my loans now with a fine-toothed comb. The marginal loans I'm going to weed out or secure in a way I think will be good when the storm breaks. The weak ones—the sick ones—(we have some and so do you, you know)—we are going to straighten out now. There's no point in waiting until it's too late to do anything. We're acting now."

Exclusively Yours — and they cost no more!

**CUSTOM-MADE
Replica
COIN BANKS**

Now you can actually create your *very own* coin bank...a scale model of your building—a trademark—an idea expression! Banthrico can do it for you, and economically, too—in most instances at no more than the cost of a conventional coin bank.

Made to Your Special Order!

- A constant reminder of YOUR institution and its services
- Ties-in with YOUR individualized advertising efforts
- Identifies Thrift and Savings with YOUR institution

Send a photo or illustration of the building or trade mark, or, if it is a special coin bank you have in mind, give us all the details. We will supply a comprehensive drawing of your custom coin bank along with full price information—promptly and without obligation.

DO IT NOW!

**Banthrico
INDUSTRIES, INC.**
21 N. DESPLAINES ST.
CHICAGO 6, ILL.

MADE TO LAST!

- Cast metal construction
- Key-opening steel lockplates
- Tamper-proof coin slots
- Choice of finishes

COLORADO SPRINGS, CO.
FLORIDA BEACH
FEDERAL SAVINGS & LOAN ASSOCIATION



"A little advertising never hurt anybody!"

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Printed Advertising Material

(CONTINUED FROM PAGE 47)

There is considerable controversy over the effectiveness of statement enclosures. One point of view is that when a customer receives a statement, the main interest is the statement itself. This view holds that inserts are thrown away or given a cursory glance.

The other view is that statements afford an outstanding opportunity to banks to do a selling and public relations job. Here are highly personal communications going to over 60,000,000 Americans from banks periodically. There is no question of their being opened. There is no competition from other advertising. They are the banks' golden opportunity to convey any information they choose.

One good idea is to use inserts that have practical value. That will insure their being kept and seen by the customer. Some examples in general use by banks are blotters, household inventories, account reconciliation guides, suggestions for preparing deposit slips, aids in preparing wills, tax charts, and similar items.

The Mailing List Problem

That successful use of printed matter depends on the mailing list used is a view repeated often by bankers who have come to grips with the mailing list problem.

This problem arises inevitably

when any bank attempts to use direct mail to bring in new customers. No mail advertising is any better than the list used. Many a good idea has fallen flat because the list used was old, inaccurate, or inappropriate. Telephone directories have proved to be very wasteful for most mailing efforts. Street directories are a little better. But there is probably no substitute for the special, carefully kept bank list of prospects.

Certain other lists are available. Home owners form a good list for repair loan mailings. Auto registrants are widely used for auto loan offerings. The best answer is probably to make a careful study of all lists available locally and then to select those you can use best.

Quality

People expect a bank to be high class. They take it for granted that the bank will be among the best buildings in town, spotlessly clean, bright and cheerful (not always true, unfortunately). They look to bank people to be well groomed, well dressed, and well mannered. Bank forms of all sorts are always of the best quality.

But in too many cases the printed material issued by the bank does not live up to this "high-class" reputation. The material issued by the lumber yard, the cleaning establishment, the radio dealer, and the hard-

ware store all are apt to stand head and shoulders above the bank's material in quality and attractiveness.

Why is this? Bankers have such good taste in all other matters, yet why do they often issue printed material that feels flimsy and looks cheap?

The author, after pondering on this question for 20 years, has come to this conclusion: The combination of abilities and aptitudes that make a good bank executive are quite dissimilar from those that make a good advertising man. The typical operating banker, in selecting or approving printed matter, applies other standards than would an advertising expert. The banker is strongly influenced by the words in detail. He wrestles with an adjective or a comma to get the thought just right. He disregards such factors as color appeal, idea conveyance by combined copy-layout-color combinations. He is ultra-conservative in his thinking and leans strongly to the ultra-conservative in his printed material. But unfortunately the too conservative printed items are not the ones that appeal to the public. The banker is also cautious in his spending. He still hasn't crossed the bridge in his thinking that classes advertising as an investment in new business and a door to profits. To him it is still an "expense." He wants to buy for the lowest price possible. The result is always a sacrifice in quality of paper, illustrations, colors, and general appeal.

The answer is simple. Most bankers will improve their printed material considerably by turning to competent advertising counsel for its preparation. Not that the banker need relinquish his interest or guidance. But he certainly should step up the appeal of those printed "messengers" that represent his bank by getting the help of specialists in the advertising field.

Hidden, But Abundant

Not everyone pays direct taxes, such as income taxes, real estate taxes and personal property taxes. But all pay taxes just the same. The Chamber of Commerce of the United States estimates there are 151 taxes of all kinds hidden in a loaf of bread. A gallon of gasoline contains 201 taxes and a humble plough is taxed 142 times from its start until it ends up on the farm.

HERE is what a few of the bankers surveyed say about the results of printed literature in their advertising:

"We have very good results when used in connection with an advertising campaign featuring some particular service."

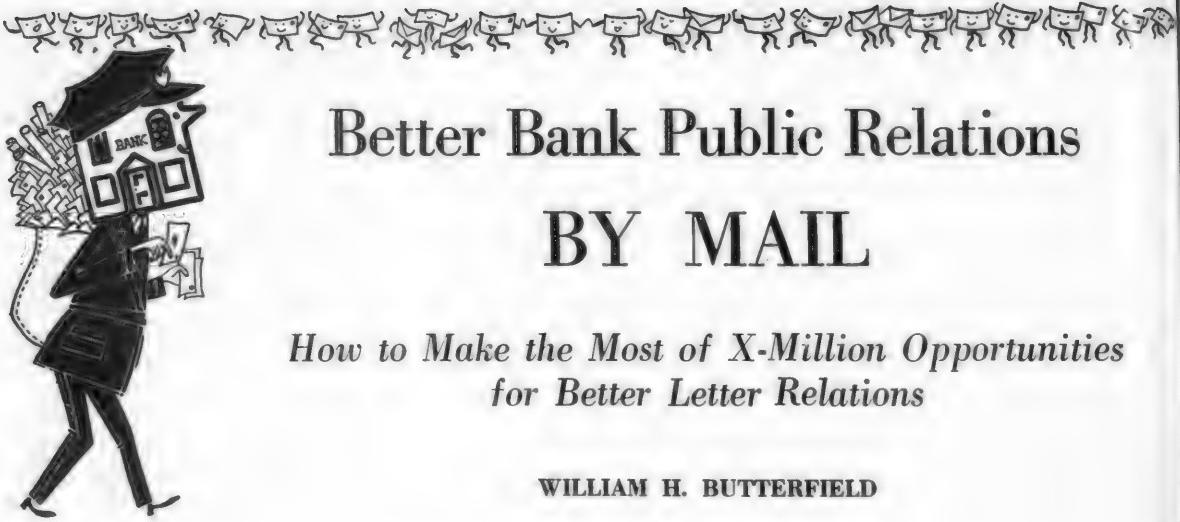
Ralph V. Arnold, President
The First National Bank of Ontario
Ontario, California

"Even by survey of customers it is impossible to determine results. We have many times had results as much as two years after a special mailing."

Wells Vaughters, Assistant Cashier
The Security Central National Bank
Portsmouth, Ohio

"This type of advertising has brought a slow but steady increase in our savings and checking accounts over a period of time, and a very definite increase in our farm and ranch loans."

Harry Bloom, Cashier
The Citizens National Bank
Akron, Colorado



Better Bank Public Relations BY MAIL

*How to Make the Most of X-Million Opportunities
for Better Letter Relations*

WILLIAM H. BUTTERFIELD

LAST month this department analyzed and illustrated the public relations philosophy of two bankers—one in a large community and the other in a small town. Another leading figure in bank public relations provides the theme of this month's commentary.

At the Illinois Bankers Conference held recently at the University of Illinois, "The Human Side of Banking" was discussed by L. L. Matthews, president, American Trust Company, South Bend, Indiana. "There have been many definitions of public relations," Mr. Matthews pointed out, "but the one I like best is short and all-inclusive. It's just *good manners in business*."

Mr. Matthews' philosophy of public relations is based on the following definition of a *customer*, formulated many years ago by a bank in Virginia:

A CUSTOMER

*is the most important person ever to come into this bank—in person, by telephone, or by mail . . .
is not dependent on us—we are dependent on him . . .*

is not an interruption of our work—he is the purpose of it . . .

is not an outsider to our business—he is part of it . . .

is not a cold statistic—he is a human being, with feelings like yours and mine . . .

is doing us a favor by bringing us his wants. It is our business to handle them profitably—to him and to us.

"If you don't like people, don't be a banker," says Mr. Matthews, "because banking is a business of human relations." As might be expected, his bank uses letters as an integral part of its public relations program. He makes this comment on the value of customer contacts by mail:

By using a variety of goodwill letters, we strengthen our personal relationship with the customer as an individual. The very fact that such letters are unexpected adds to their effectiveness in building better public relations. Every customer likes to receive an occasional letter indicating that his business is appreciated—tangible evi-

dence that his bank is genuinely interested in serving him well.

The three letters that follow are typical of the friendly notes used by Mr. Matthews to build customer goodwill. All three messages bear his signature as president of the bank. The first letter welcomes new savings account customers and invites them to make use of additional bank services:

Dear Mrs. Dawson:

Thank you for opening your savings account at the American Trust Company. We genuinely appreciate this opportunity to serve you.

It is our wish to be helpful in more ways than as a mere depository for your funds. Our various departments are here for your convenience, and we would be glad to know that you are finding them useful.

Please come in whenever you have a problem or an interest that suggests a talk with one or more of our officers.

Cordially yours,

The second letter is mailed to savings account customers exactly 10 years after the opening of their accounts. Its unusual opening paragraph is a good attention getter, and serves at the same time to emphasize the bank's service of almost half a century in the community. The remainder of the message expresses appreciation for patronage, and invites full use of the bank's facilities:

Dear Mr. and Mrs. Watkins:

On March 28, 1904, the American Trust Company first opened its doors to serve the financial needs of this community. I am sure that our first president, Mr. C. A. Carlisle, said "Thank you" to our very first depositor.

Forty-eight years later we again say "Thank you" on the tenth anniversary of the opening of your savings account here. This note carries our genuine appreciation for your business and for your confidence in us during the past decade.

This is your bank, and we invite you to make full use

(CONTINUED ON PAGE 92)

Is your Bankers' Blanket Bond big enough to do the job?



You have only to read the newspapers to realize that embezzlers don't deal in petty cash today. Losses which would have been unbelievable a few years ago are commonplace now.

It would be a smart move on your part to examine your Bankers' Blanket Bond coverage to be sure you have enough. To help you do this, Indemnity Insurance Company of North America has published a new Bankers' Automatic Calculator.

This convenient device enables you to find quickly and easily the recently revised suggested amount of Bankers' Blanket Bond coverage needed, as recommended by the American Bankers Association. You simply manipulate the card in the slot, and the amount instantly slides into view.

Ask any Agent of Indemnity Insurance Company of North America for your free copy.

An added feature of this calculator is a device by which you can compute automatically the monthly amortization charge on a large selection of loan amounts at four different interest rates.



**INDEMNITY INSURANCE COMPANY OF
NORTH AMERICA**

1600 Arch Street, Philadelphia 1, Pa.

PROTECT WHAT YOU HAVE®

(CONTINUED FROM PAGE 90)

of its services. We shall do our best to deserve your friendship for many more years.

Sincerely yours,

The third letter is mailed to customers who close their checking accounts. The effectiveness of this message is evidenced by the fact that a number of customers have mentioned it when reopening their accounts later:

Dear Mr. Clifton:

Your checking account with us was closed recently, and we regret losing your account. When you again have a need for checking account service, we sincerely hope you will keep in mind "The Bank by the Clock."

An American Trust Company checking account offers such important convenience in these days of personal pressure and haste that we hope you will have occasion to reopen your account soon. We'll miss you until you do!

Cordially yours,

OTHER OUTSTANDING LETTERS

The Colonial Trust Company, Waterbury, Connecticut, reports that the following letters are two of its most successful goodwill messages. The first is a letter of welcome and appreciation to new customers; the second is a "thank you" note to former customers who reopen their checking accounts. The tone of both letters is friendly and sincere. Both carry the signature of Winthrop W. Spencer, president:

Dear Mr. Hartley:

This is just a note to welcome you as a customer of The Colonial Trust Company. We shall do our best to make your banking experience pleasant and convenient by providing every type of service you need.

Colonial's organization has been built upon the principles of courtesy and complete service. You will receive a cordial welcome any time you visit us. Please feel free to call on me, or any of our staff members, whenever we can be of assistance.

We shall try to show you—in terms of friendly, efficient service—how much we appreciate the confidence you have placed in us.

Sincerely yours,

* * *

Dear Mr. Bennett:

We are very much pleased that you have reopened your checking account in The Colonial Trust Company.

This expression of your confidence is sincerely appreciated, and we shall do our best to deserve it. By providing every type of banking service you need, we shall do our utmost to make your visits pleasant and convenient for you.

Please feel free to call upon me, or upon any of our staff members, whenever we can be of assistance.

Cordially yours,

Readers of Mr. Butterfield's series of articles are again invited to send to the Editor of BANKING examples of their own letters which they have found effective. They are also asked to include any results obtained from their "letter relations." Such material should be addressed to BANKING, 12 East 36th Street, New York 16, N. Y.

STILL GROWING

William Penn's city has been known for generations as "The Workshop of the World" . . . and it is still growing. One of the biggest industrial expansions in Philadelphia history is now taking place. One and a half billion dollars in new industrial development will have been spent in the Philadelphia banking area by 1955—by industries whose sales and services reach to every quarter of the globe.

More than 100 years of experience in this market is back of Girard Trust Corn Exchange. We are at your service with every banking and trust facility.



GIRARD TRUST CORN EXCHANGE BANK

PHILADELPHIA

Member Federal Deposit Insurance Corporation

Government Bonds

(CONTINUED FROM PAGE 41)

2½%	3/15/71/66	98-	2/32	—28/32 D
2½%	6/15/72/67	98		—28/32 D
2½%	12/15/72/67	98		—28/32 D

A—These are the three issues which would be affected by the issue of any new intermediate marketable eligible bond.

B—These are the 2½ percent bonds now eligible for bank purchase.

C—This issue became eligible for commercial bank holding on June 15.

D—These are the four issues which could have been exchanged for the 2¾ percent bonds but to a large extent were not.

At the risk of being over optimistic we suggest that rather good values were available for commercial banks which had any money to spend. Both the 2½s 6/15/62/59 and the 2½s 6/15/67/62 yielding 2.32 percent and 2.47 percent respectively for seven and ten year terms seem to be in line for some appreciation in value. These two issues have now added about \$7,400,000,000 to the supply of eligible issues. Since the immediate outlook seems to indicate no credit restrictive measures and some possibility of greater ease at least until election, it may be that the disturbing factors present in the market during May produced a buying opportunity.

More Money and Soon

As of June 5 the balance in the general fund of the Treasury was a little over \$5,100,000,000. Until the 15th expenditures exceeded receipts; thereafter the flow of tax money swelled the balance. For June a surplus in excess of \$1,000,000,000 should be shown. But July and August may show deficit figures close to \$4,000,000,000. They were nearly \$3,700,000,000 for those months last year.

On July 1 with the maturity of the \$5,215,000,000 of 1⅛ percent certificates somewhere between \$300,000,000 and \$500,000,000 will be needed to pay off certificates unexchanged for the new issue.

It has been perfectly clear that deficit financing to the extent of three or four billion dollars—perhaps more—would be needed during the third quarter and must start right after the middle of the year. It was for this reason that so many rumors cropped up as to how the Treasury would try to get the money.

With the exception of the possibility that corporations will be able to take large amount of new Treasury bills, just where is there any pool of investment funds which could be tapped? If several billion dollars must be obtained from the banking system, it is a certainty that the Federal Reserve System will be forced to provide the banks with the reserves necessary. This can be done in two ways; either by lowering the reserve requirements of the member banks, or by adding to the Federal Reserve portfolio of Government securities. We suspect that the latter method will be chosen. The decrease in the holdings of Government securities by the Open Market Committee,



"Look, there's Mr. Carlson, the butcher, in the loan department . . . So that's where the bank gets all its money!"

which was shown in the first quarter and then to mid-June, is not likely to be repeated in the third quarter. Once again the Federal portfolio is headed up.

Houston...It Was Wonderful!

(CONTINUED FROM PAGE 80)

man and the counsel he needs in many other phases of his business. O. W. Frieberg, assistant vice-president, American Trust Company, San Francisco, talks about accounts receivable financing which, he says, should be encouraged by banks as a normal method of credit extension.

We look in at the public relations session to hear Ben H. Wooten, president, First National Bank in Dallas, call for more practical approaches to this broad subject, and we listen to a panel of experts discuss ways to achieve it.

Grab your hat; we're off in 40-odd bus loads for an afternoon's outing that takes us to the San Jacinto Battlefield, then down along the bustling Houston Ship Channel, to Pleasure Pier in Galveston. Whatta day by midnight!

Now it's Thursday and we're attending conferences on chapter administration, business development and advertising, bank management and operations—each packed with a notebookful of ideas and practical counsel.

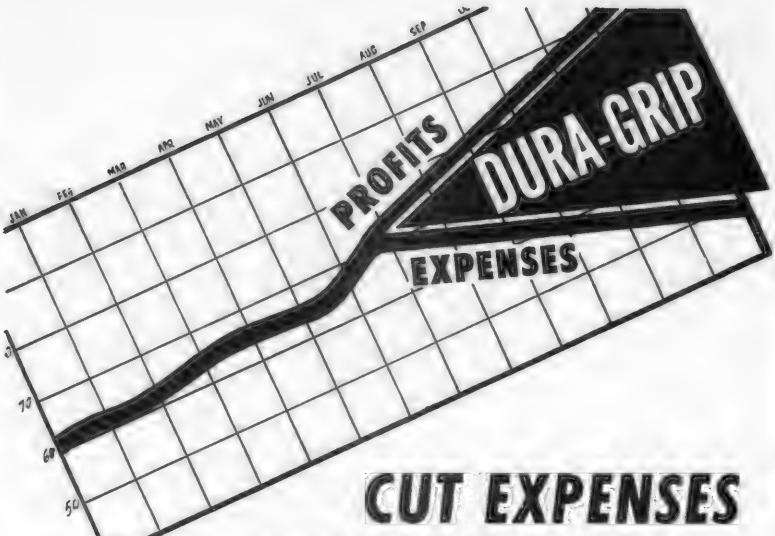
We also visit the campaign headquarters of candidates seeking office, shaking hands and wishing them luck, for Thursday is Caucus night, another unique A.I.B. event.

What happened to the time? It's Friday—last day and the final business session. We hear C. Francis Cocke, president of the A.B.A., tell the encouragement he has given to A.I.B. activities in his own bank, The First National Exchange Bank of Roanoke, Virginia. His program of the participation of top management made a significant note, for this is the goal of successorship and general advancement sought by the student of banking. We hear the Reverend William Hills, B.A., L.Th., vicar of Cadboro Bay, Victoria, British Columbia, deliver an inspiring appeal for Anglo-American spiritual unity.

With the installation of new officers and councilmen, we meet the administration, headed by Martin J. Travers of the Marine Trust Company of Western New York, Niagara Falls, who will guide the Institute through the year ahead.

Friday night is the Grand Ball. Saturday, and we're home-ward bound. "See you in Cleveland in 1953!"

Right, Houston, you-all did a bang up job in true TEXAS fashion! And, thanks from the 1,500 of us-all!



CUT EXPENSES ...INCREASE PROFITS with DURA-GRIP



DURA-GRIP clip.
Patent No. 2488823

When an opportunity comes along that enables you to cut down your costs on an expense item, by all means take advantage of it. In addition, your depositors will thank you for this rich-looking check book cover. Flat and trim as a wallet, its beautiful richly-grained leather finish comes in seven interesting colors.

DURA-GRIP Check Book Covers are made of DURALEX, a material built like a cord tire from tough rubber and finest cotton fibre, in exclusive one-piece construction. With DURA-GRIP you'll economize three ways: on your initial low cost, on your low replacement cost and the elimination of the tongue of the check filler.

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Write or wire for samples today

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810 East Third Street, Los Angeles 54, California

Excess Profits Tax

(CONTINUED FROM PAGE 35)

gible item from the viewpoint of Treasury revenue, accounting in 1951 for less than 1/20 of 1 percent of all Treasury revenues. On the other hand the impact on the banks that are required to pay it has real significance.

As Gaylord Freeman points out in his excellent analysis for the Illinois Bankers Association on bank capitalization: "The excess profits tax prevents the under-capitalized banks from providing adequate depositor protection. The bank with the least capital pays the most tax. . . . It keeps the undercapitalized banks undercapitalized. There is virtually no way out because this tax does not help; it penalizes the banks with insufficient capital. The excess profits tax is a tax on inadequate capital."

Two Banks

Then he illustrates by comparing two banks with identical earning assets of \$7,500,000; with Bank A having capital funds of \$900,000 (10 percent of deposits), and Bank B, \$450,000 (5 percent of deposits). Each bank has estimated net earnings before Federal taxes of \$140,000 and pays a \$30,000 dividend. Under these conditions, Bank B pays excess profits tax of \$25,800, while Bank A pays \$9,600; and after the dividend of \$30,000, Bank B has left only \$16,900 to be added to capital funds as against \$33,100 for Bank A.

He concludes: "In other words, Bank B, which has the greatest need of additional capital funds, pays the most tax and has the smallest amount left for additions to capital."

In showing the effect on the different size groups of banks, the report in the *Bulletin* points out that "the minimum credit of \$25,000 (which applies to all corporate taxpayers) permitted by law, obviated the payment of excess profits tax by most of the small banks." Nevertheless, 950 banks (12 percent of the 7,900 total) with capital accounts of less than \$250,000, incurred excess profits tax. This size group has 8½ percent of the total capital of the insured banks. The group of banks of the next larger size, which could not ordinarily escape excess profits tax through the \$25,000 limitation, consists of 3,900 banks. Thirty-seven

percent paid excess profits tax in 1951—that is, 1,400 banks—many of them located in rapidly growing distribution centers and towns that call for expanding banking facilities. The next larger size group consists of 1,400 banks with capital funds of \$750,000 to \$4,000,000. Of this group excess profits taxes were paid in 1951 by 30 percent. Of the banks with capital funds in excess of \$4,000,000, 33 percent paid excess profits tax.

The survey showed that banks incurring excess profits tax had 30 percent of the capital strength of the banking system; that means about \$3.5-billion of the total banking capital of the country.

Growth Incentive Limited

One must understand the significance of being in the excess profits tax bracket in order to see the real meaning of these figures. When a bank is required, by reason of its earnings position, to pay an excess profits tax, the incentive to grow and produce new earnings is severely limited. Each additional dollar of earnings becomes subject to 82 percent taxation, including normal tax and surtax of 52 percent, and 30 percent excess profits tax. It must be recognized that the bank earnings dollar must help provide capital protection for depositors, and obviously an 18 percent margin remaining after excess profits taxes cannot be expected to be adequate to build up capital and attract new investment. That is why it is so serious that some \$3.5-billion of the capital strength of the banking system is in those institutions already incurring the tax. A bank cannot be expected to undertake new risks, expand its operations, offer new services and the like, if the tax element is a real deterrent. These are some of the things that cannot be measured by statistics.

The Federal Reserve report in the *Bulletin* makes available for the first time the effect of taxes on the net current operating earnings "representing income derived and expenses incurred in the normal course of bank business." This excludes the effect of the sale of capital assets and other special transactions. On this basis of eliminating these non-recurring deductions, the amount of tax for which the banks would have been liable in 1951 would have in-

(CONTINUED ON PAGE 96)

an investment in security

Last year American Credit Insurance protected sales of over 5 billion dollars

Were your commercial customers' receivables included? If not, urge that they ask themselves this question, "Can I afford to take the chance that bad debt losses will wipe out badly needed working capital...and its earning power...forever?"

SEND FOR NEW BOOK. In these times of tightening working capital, shrinking profit margins, more past-dues, it's important to back PROMISES to pay with a GUARANTEE receivables will be paid. More and more banks are recommending American Credit insurance protection before approving commercial loans. Your bank can be included as a named assured without charge. For a copy of "Credit Insurance and Your Company," phone our office in your city or write American Credit Indemnity Company of New York, Dept. 45, First National Bank Building, Baltimore 2, Maryland.

*protect your capital
... invest in security*



American Credit Insurance

guarantees payment of accounts receivable

creased from \$24,000,000 to \$44,000,000, and the percentage of banks of \$250,000 and over which incurred the excess profits tax liability would be over 40 percent. The amount of the capital strength of the banking system subject to excess profits tax on its current earnings alone is 39 percent instead of 30 percent on the basis of net profits after all deductions.

For the past few years the growth of risk assets in the banking system has brought greater emphasis in the requests of the supervisory author-

ties for additional capital for the protection of depositors. Some banks have turned, where possible, to the market for new capital by selling stock. In 1951, according to the Federal Reserve study, member banks sold \$186,000,000 of new stock, but most of the growth in capital funds came through retention of \$385,000,000 of earnings. The banks' excess profits tax liability of \$20,000,000 was equivalent to 5.2 percent of these retained earnings, and the excess profits tax liability allocable to current operating earnings

was about 10 percent of the retained earnings.* This gives a realistic comparative figure which indicates the significance somewhat more clearly than the ratio of capital funds to total assets mentioned in the *Bulletin*.

Moreover, the market capitalizes bank earning power as the foundation for sale of new stock. If the market were to capitalize earnings for example, at as low as an 8 to 1 ratio, \$44,000,000 of profits that did not have to be paid out as excess profits taxes could form the base for some \$350,000,000 of new stock, an amount equal to almost all retained profits in 1951. These figures are not precise. This is given merely as illustrative of the capitalizing potential of the excess profits tax bill.

"Low Capital" Banks

The survey showed that the impact of excess profits taxation was most pronounced on those banks with the lower capital ratios—the very ones most in need of additional capital protection. Thus, about 3,400 were classified as "low-capital" banks, as against 10,000 other banks with higher ratios. Twenty-eight percent of the "low-capital" banks incurred excess profits taxes in 1951, as compared with only 19 percent of the other banks. Moreover, the tax burden actually paid by these "low-capital" banks is relatively greater. Excess profits tax incurred in 1951 equalled 0.38 percent of the year-end capital accounts in all "low-capital" banks, and only one-third as much, or 0.13 percent, in all other banks.

The data presented in this article cover only a part of the survey findings as published in the Federal Reserve *Bulletin*. Some parts of the study—Supplementary Table 1 and especially Table 2—deserve special analysis. They illustrate the wisdom of looking at details instead of overall figures in order to avoid misinterpretation—like the drowned man who had neglected to find out that a lake with an average depth of two feet was actually 20 feet deep at the point where he jumped in! For example Table 2 shows, with regard to taxes relating to current earnings, that about 40 percent of

**GIVE THIS Special Service TO
YOUR CUSTOMERS TRAVELING
IN Canada...**

DOMESTIC TRAVELLERS CHEQUE
WHEN COUNTERSIGNED BELOW WITH THIS SIGNATURE
PURCHASER ANY BANK IN CANADA OR THE
ON ANY BRANCH IN CANADA OF ANY CHARTERED BANK
BANK OF MONTREAL F00000
TWENTY DOLLARS CANADIAN CURRENCY
BANK OF MONTREAL
GENERAL MANAGER
FOR USE ONLY IN CANADA
20

TRAVELERS CHECKS of
Canada's First Bank

Bank of Montreal Travelers Checks—backed by a record of complete safety and unexcelled service over 130 years—provide a travel-fund instrument payable in Canadian dollars that is unsurpassed for Americans visiting north of the border on business or pleasure.

The rate of exchange is definitely established for your customer at the time of purchase. You will enhance

his good-will and increase your profits by selling him Bank of Montreal Travelers Checks—acceptable at par at chartered banks *everywhere in Canada*.

To arrange for the sale of these checks by your bank is simple . . . Address your request for particulars—by letter or telegram—to: Superintendent, Foreign Department, Bank of Montreal, Place d'Armes, Montreal, Que., or any of our U. S. offices mentioned below.



BANK OF MONTREAL

Canada's First Bank Coast-to-Coast

570 Branches Across Canada

HEAD OFFICE: MONTREAL

IN THE UNITED STATES:

NEW YORK: 64 Wall Street, 5 • CHICAGO: 27 South La Salle Street, 3
SAN FRANCISCO: 333 California Street, 4

..... RESOURCES EXCEED \$2 BILLION

* Figures used in this paragraph relate only to Federal Reserve member banks, while other data cover all insured commercial banks.

(CONTINUED ON PAGE 98)

Thousands of bank
tellers all over America
are serving more and
more customers in less time
because . . .



Burroughs Commercial
Tellers Machine

Call your Burroughs man today and let him show you how your bank can improve efficiency and reduce costs with the Burroughs Commercial Tellers Machine.

WHEREVER THERE'S BUSINESS THERE'S

Burroughs

. . . THEIR BURROUGHS COMMERCIAL
TELLERS MACHINES SPEED AND
SIMPLIFY THE HANDLING OF TRANS-
ACTIONS. ERRORS ARE REDUCED AND
FASTER BALANCING RESULTS. TELLER
MECHANIZATION ALSO SPEEDS
THE FLOW OF WORK TO INTERNAL
DEPARTMENTS AND ASSURES BETTER
AUDIT CONTROL FOR THE BANK.

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Pen-Ruled Passbooks
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Big Fold Check Cases
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Statement + Deposit Slips

Bill Straps • Coin Wrappers
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SAMPLES ON REQUEST

WILLIAM EXLINE INC.
270 ONTARIO STREET CLEVELAND 13, OHIO



consecutive dividend

A quarterly dividend of 45c a share, plus an extra dividend of 5c a share, has been declared on the common stock of this company, payable on July 5, 1952, to shareholders of record June 10, 1952.

E. H. Voltwiler, President • May 29, 1952

ABBOTT LABORATORIES



Manufacturing Pharmaceutical Chemists
North Chicago, Illinois

ARE YOU COINTANTED?
with the PROCEEDS of your CUSTOMER'S
COIN or HOBBY COLLECTIONS. PREMIUM
PAID FOR OBSOLETE U. S. COINS OR CURRENCIES! WRITE or FORWARD for PAYMENT
ON RECEIPT. WILL CALL, too.

"CASEY" COIN, CURIO & ANTIQUE CO-OP
952 W. ADDISON ST., CHICAGO 13, ILL.

AUTOMATIC TELLERS CASH TICKETS

Self-duplicating with clean, clear embossing. These tickets speed auditing procedures. Numbered or blank in sizes or white, measures 1 1/2" x 6". Quantity discounts. Timely delivery. Write for sample and prices.

J. Worth Baker & Co. 1321 Pennsylvania St. Indianapolis 7, Ind.

(CONTINUED FROM PAGE 96)

the banks with capital of \$250,000 or over reported excess profits taxes allocable to current earnings. Such banks, of the smaller equity capital ratio of 5 percent and under of total assets, show around 60 percent of their number subject to excess profits tax. Those with a capital ratio of over 9 percent showed only half of that proportion. Many other significant facts can be drawn from the table.

All these facts point clearly to the necessity for providing some relief for banks from the burden of excess profits taxation, in the interests of building up the capital strength of the banking system. The amount of excess profits taxes paid by banks as a whole is not the only significant point. At the root of the matter are the practical problems confronting a bank in its operations when it moves into the excess profits tax bracket and the practical ceiling imposed on expansion of capital by those

banks in the group considered to need it the most. The survey shows that a significant proportion of the banking system is being faced with these problems, and that the tax is falling most severely upon those banks that, in view of their capital position, can least afford to pay it. A sound banking system—privately owned and managed—cannot be maintained in the long run if the tax laws fail to recognize the danger they create. Bank capital is the basic source of protection for the depositors of banks. Excess profits taxation strikes at its foundations, and therefore relief for banks is clearly indicated in the public interest.

It is only through some relief from the present inequity in the excess profits tax law that many banks can add any substantial amount to their capital funds from earnings. Nor can most banks sell additional capital stock unless they are able to earn a reasonable return on invested capital.

Better LAYOUT

(CONTINUED FROM PAGE 53)

(6) **Prepare Floor Plan and Templates**—Prepare a floor plan of the space to be occupied, using $\frac{1}{4}$ -inch or $\frac{1}{2}$ -inch scale. Time and money can be saved by making one drawing and having a number of white prints made from it.

Prepare cardboard templates on the same scale for each piece of furniture and equipment which will go into the new location. The type of furniture and equipment, and the inventory number of the piece it represents should be lettered on each template. Some find it helpful to letter the name of the person who uses the equipment on the templates. The templates can be moved around on the floor outline in various arrangements until the most effective one has been determined.

The final arrangement should be drawn on the floor plan and all pieces of equipment and furniture identified. As many copies of this drawing as are required can then be reproduced.

Furniture and Equipment Standardization

Few banks have standardized the size or style of desks or make and

color of mechanical equipment and files. While many bankers find it expedient to buy from as many suppliers as possible, the types and brands should be kept to a minimum. Every effort should be made to sort furniture and equipment by types, and, as far as possible, to assign all of a similar design to one department or general area.

Moving to New Quarters

The moving of even a large bank to new quarters can be accomplished with a minimum of confusion by following these steps:

(a) A tag should be attached to each piece of furniture and equipment and marked with a serial number which will identify the floor, department, and specific location to which each item is to be moved.

(b) On the night before the move, each employee should place all of his desk contents in a cardboard box given to him for this purpose. These boxes should be tagged in the same manner as the furniture.

(c) Guides should be placed at the new location to direct the movers to the proper areas.

(d) Most moves of this nature take place over week ends. It is customary to have the employees report to their new locations on Sunday to have everything ready to begin operating on Monday morning.

Entire Check Collection System to Get Comprehensive Study

Joint Effort of American Bankers Association, Association of Reserve City Bankers, and the Federal Reserve System

A COMPREHENSIVE study of the check collection system is being launched as the joint effort of the American Bankers Association, the Association of Reserve City Bankers, and the Federal Reserve System.

This is definitely not "just another survey." The study will be most comprehensive in scope and involve consideration of the causes of recent trends in the volume of check payments and the probable future course of the volume; a full-scale review and reappraisal of present check collection practices throughout the country, including direct return of unpaid items; a survey of equipment currently or prospectively available for check collection work; methods of using the equipment; and consideration of various related matters such as insurance, communication, and transportation facilities.

The Results Sought

Such a study seems certain to produce one of three results: (a) Radically change the current system; (b) confirm that the current methods are the best; or (c) make only minor procedural changes in order to speed up this activity.

Representatives of the three organizations held a three-day meeting in Chicago and appointed a joint committee, the members of which have been given authority to act for their respective organizations.

The Committee

The members are:

For the American Bankers Association: Orval U. Habberstad, president, Union National Bank, Rochester, Minnesota, and member

of the A.B.A. Bank Management Commission; James H. Kennedy, vice-president and cashier, The Philadelphia National Bank, and chairman of the Bank Management Commission.

Representing the Association of Reserve City Bankers: C. Edgar Johnson, vice-president, The First National Bank of Chicago.

For the Federal Reserve System: Frederick L. Deming, vice-president, the Federal Reserve Bank of St. Louis; John H. Wurts, vice-president of the Federal Reserve Bank of New York. Mr. Wurts will serve as chairman.

A.B.A. President C. Francis Cocke has sent a letter to every member bank of the Association which is both an explanation and a request for full cooperation with the committee. Mr. Cocke's letter says in part:

Check Activity Doubles

"During the past 10 years there has been a tremendous increase in check activity in the nation's banks. There are now over 40,000,000 checking accounts of individuals and businesses, 13,000,000 more than 10 years ago. Twice as many checks were written in 1951 as in 1941. While the present high level of economy is responsible in part for this increased activity, there is ample evidence that the public in general has come to realize more fully the advantages of checking account services rendered by banks.

"This tremendous increase in check activity coupled with high personnel turnover, equipment shortages, space problems, and other current developments has tended to reduce operating efficiency in banks. Overhead costs are rising, backlogs

are frequent and delays in the presentation of checks and the return of unpaid items are increasing.

"In order to improve efficiency in bank operations and to render the best possible service to bank customers, it is necessary to overcome these difficulties. Therefore, it has been proposed that a broad general study of the nation's check collection system be made. Since the problem affects country banks, Reserve and Central Reserve City banks, and Federal Reserve banks, a joint study of the problem is desirable. . . .

No Preconceived Ideas

"The importance and value of correspondent bank relationships are recognized by the committee. The survey is to be thoroughly objective and not influenced by any preconceived desire to obtain increased or decreased check activity either for the Federal Reserve banks or for commercial banks. All recommendations of the committee will be subject to review by the policy-making bodies of the sponsoring groups.

"The committee would appreciate being informed of any specific problems regarding check collections that need to be solved insofar as your particular bank is concerned and will be grateful for any suggestions which you may care to offer for improvement of our present check collection system. Please direct your comments in this connection to any member of the committee. From time to time the committee will call upon certain of our member banks for specific information to assist in this important study, and we shall greatly appreciate your cooperation in supplying whatever information is requested."

Washington

(CONTINUED FROM PAGE 37)

It was the thinking of the Board that, despite the prospective disappearance of most building material scarcities, a complete suspension of Regulation X would promote unnecessarily a building boom, using up a possible source of demand that might be needed another time.

Most officials anticipated the starting of around 1,100,000 housing units by the construction industry this year, even without a serious modification of the Regulation. The

Bureau of Labor Statistics and the Commerce Department jointly made such an estimate.

This estimate also forecast a total construction volume in the United States of \$32,175,000,000 for calendar 1952 compared with a revised estimate of \$31,025,000,000 for 1951. The prospective housing construction of 1,100,000 units was taken into account in arriving at this figure.

Authoritative construction industry sources said that if the cost of necessary maintenance and improvements were added to the Government figure, the total expenditures for con-

struction in the United States would almost reach \$40-billion.

Public Housing Faces Obstacles

Congressional conservatives have been waging a semi-successful battle to hold down the number of public housing units to be authorized each year below the 75,000 units the President has been backing.

From a report of the National Association of Home Builders, however, it appears that congressional conservatives are not the only successful foes of public housing. NAHB issued a compilation of cities which had rejected public housing since the latest public housing act was passed in 1949.

This compilation disclosed that, where the acceptance or rejection of public housing was made the issue of referenda in the case of 39 cities, the idea was turned down in 32. Furthermore, since the 1949 act, the city councils of 35 other cities have also rejected Federal public housing.

Regardless of the legal fictions, the fact is that, with respect to public housing projects under the 1949 act, 90 percent of the capital cost amounts, actually, to a Federal gift.

On the other hand, despite this *de facto* gift, the extra cost to the municipality of providing for schools, fire protection, and other municipal services at less than cost is so high that municipalities are finding Federal public housing no bargain.

Governor Powell Leaving FRB

Departure of Governor Oliver S. Powell from the Federal Reserve Board to become president of the Federal Reserve Bank of Minneapolis, which is expected soon, separates from the Board an individual especially zealous in dealing with the problems of commercial banks.

Governor Powell's most notable achievement was his handling of the Voluntary Credit Restraint Program, suspended this spring. Under the Defense Production Act of 1950, voluntary programs for inflation control were permitted. VCR was about the only program of a voluntary character carried on under the act.

By virtue of a requirement of the act that Government officials must head voluntary committees, Governor Powell became chairman of the

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19,600,000 CINCINNATI, O., 1 1/4 & 1 1/2% Bonds, Due 1953-92	1,200,000 MONROE, LA., Var. rates Water & Elec. Rev. Bonds, Due 1954-89
2,350,000 CRANSTON, R. I., 2 1/2% Bonds, Due 1953-79	1,023,000 NATICK, MASS., 2.10% Bonds, Due 1953-82
3,000,000 DALLAS COUNTY, TEX., 3, 1 1/2 & 2% Bonds, Due 1953-82	4,500,000 NEW ORLEANS, LA., Var. rates Bonds, Due 1953-91
3,000,000 DANVILLE, VA., 1 1/4 & 1.90% Bonds, Due 1953-82	5,900,000 OKLAHOMA CO., OKLA.,* 4, 1 1/4 & 2% Bonds, Due 1955-77
1,500,000 DAVIDSON COUNTY, N. C., 2 1/2, 2 1/4 & 2% Bonds, Due 1954-80	2,000,000 OYSTER BAY, N.Y., U.F. S/D No. 17, 2.70% Bonds, Due 1953-81
4,750,000 EAST PROVIDENCE, R. I., 2.20% Bonds, Due 1953-82	16,250,000 PHILADELPHIA, PA.,* 3, 1 1/4 & 2% Bonds, Due 1953-83
3,500,000 FAIRFAX COUNTY, VA., 2.40% Bonds, Due 1953-70	3,000,000 POLK COUNTY, FLA., S/D No. 1, Var. rates Bonds, Due 1955-77
3,500,000 FLINT, MICH., Var. rates Water Rev. Bonds, Due 1953-83	1,411,000 SHERMAN, TEX., I. S/D 1 1/4 & 2 1/2% Bonds, Due 1953-82
1,350,000 GASTONIA, N. C., Var. rates Bonds, Due 1953-89	2,100,000 TONAWANDA, N. Y., U.F. S/D No. 1, 2% Bonds, Due 1953-72
6,000,000 HAWAII, TERRITORY OF*, 2% Bonds, Due 1955-72	30,000,000 WEST VIRGINIA, 1, 1 1/2 & 1 3/4% Veterans' Bonds, Due 1952-71
3,000,000 HEMPESTAD, N. Y., U.F. S/D No. 27, 2.70% Bonds, Due 1953-82	1,588,000 WYOMING COUNTY, WEST VA., BOARD OF ED., 2 1/4 & 2 1/8% Bonds, Due 1953-67
1,600,000 LORAIN, O., 2% Bonds, Due 1953-72	4,700,000 YORK CITY SEWER AUTHORITY, PA., 2, 1 1/4 & 1 1/8% Sewer Rev. Bonds, Due 1956-83
1,095,000 LYNNFIELD, MASS., 2.10% Bonds, Due 1953-72	*Issue headed jointly by Halsey, Stuart & Co. Inc. and others.
1,700,000 MARION COUNTY, O., 2% Bonds, Due 1953-74	\$28,991,000 ADDITIONAL MUNICIPAL BONDS, 39 ISSUES

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National VCR Committee. Prior to the creation of the committee, however, he cooperated closely with the A.B.A. and other groups in promoting the idea, and followed through with Administration officials in obtaining clearance for the project from the Attorney General.

Governor Powell undertook various other responsibilities within the Board which especially concerned commercial banking. He led in compiling, earlier this year, the informal opinions of bankers on lending prospects for 1952. He was chairman of an inter-agency committee created to iron out a dispute between state bank supervisors and the FDIC over the question of capital ratios and under what circumstances bank examiners should make available their reports to the directors of examined banks.

One of Governor Powell's latest projects was to arrange a check among commercial banks to see whether the latter wanted to continue reporting to the Board a breakdown of commercial and industrial loans by industry, as they had begun to do under VCR.

Governor Powell also supervised the combined effort of the Federal Reserve Board, the A.B.A., and other bankers' associations to ascertain the effect of the excess profits tax upon bank earnings.

He was in immediate supervision, under the Board, of bank examination, relations with commercial banks, bank supervisor relations, and the research program of the Board.

Governor Albert L. Mills takes over relations with commercial banks and the research program. Governor J. L. Robertson, formerly First Deputy Comptroller of the Currency, takes over Governor Powell's special concern within the Board for relations with supervisory officials and for bank examination.

Governor Powell was first vice-president of the Federal Reserve Bank of Minneapolis before he began serving, on September 1, 1950, the unexpired term of the late Governor Lawrence Clayton. He served in the U. S. Navy during the first war. Several years ago he was in the foreign service of the National City Bank of New York, but he has been with the Minneapolis Federal Reserve Bank during most of his career. He has been especially active with the American Institute of



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Banking, and has taught at The Graduate School of Banking conducted by the American Bankers Association at Rutgers University and at the Central States School of Banking, Madison, Wisconsin.

Patman Report Near Session End

At the time of writing, the text of the findings and recommendations of the Patman committee were not available for publication, although the committee was aiming at a report to be made public near the end of June. It was the aim of the committee to summarize its findings and adopt recommendations, even though the lateness of any such report in itself precluded any possibility of action by Congress on any recommendations this year.

Study Open Market Operations

It was announced by the Federal Reserve Board that the Federal Open Market Committee is undertaking a study of the technical and operational phases of the market for U. S. securities. Robert H. Craft is the technical consultant on this study.

"The study is occasioned by the fact that in effectuating general credit policy the main reliance is now placed upon discounts and open market operations. The study is in the nature of a fact-finding inquiry as to the breadth and most efficient functioning of the market and is not concerned with the questions of national credit, monetary, or debt management policy," the Federal Reserve explained.

While the Board did not suggest it, the thought was raised that a study of the technical phases of operations becomes more important since the open market operations are not geared to fixed price pegs for U. S. securities.

Have You Seen . . .

(1) An explanation of the proposal to abolish population as a determinant of how much capital a state bank must have in order to become a member of the Federal Reserve System or to establish a branch. Send to the Senate Banking and Currency Committee, U. S. Cap-

tol, Washington, D. C., for a copy of Senate Report No. 1622.

(2) A comparison of farm mortgage debt outstanding January 1, 1951, and January 1, 1952, by states. Write to the Bureau of Agricultural Economics, U. S. Department of Agriculture, Washington 25, D. C., for the latest Bureau of Agricultural Economics release on this subject.

(3) An abbreviated statement of Federal Reserve policy of flexibility in the use of specific credit controls and reliance on the conventional monetary devices. This is contained in the "Summary of Remarks" by Chairman William McC. Martin before the Chicago Bankers Club. Write to the Board of Governors, Federal Reserve System, Washington 25, D. C.

(4) For a key Congressional view on wage, price, and credit controls, see the report of the Senate Banking committee on the bill extending DPA. This is Report No. 1599, 82nd Congress, and may be obtained from the Senate Banking and Currency Committee, U. S. Capitol, Washington, D. C.

(5) A discussion of the philosophy of "adequate capitalization" by that member of the Federal Reserve Board who will be most intimately associated with bank examination, J. L. Robertson. Write to Gov. Robertson, Board of Governors, Federal Reserve System, Washington 25, D. C., for his talk before the Pennsylvania Bankers Association.



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	Liabilities	£A.
Capital, paid up	10,667,500	
Reserve Fund and Profit and Loss Account Balance	8,337,372	
Current Deposit and other Accounts	373,596,221	
Acceptances for Customers	21,484,016	
Confirmed Credits, Guarantees, etc., on behalf of Customers	61,206,514	
	£A.475,291,623	

	Assets	£A.
Coin, Bullion, Notes and Cash at Bankers	36,475,775	
Cheques of, and Balances with and due from other Banks	13,804,835	
Investments at or under Market Value	15,043,738	
Special Account with Commonwealth Bank of Australia	100,083,000	
Bills Receivable and Remittances in Transit	55,172,368	
Loans and Advances to Customers and other Accounts	168,978,163	
Liability of Customers for Acceptances	21,484,016	
Bank Premises and other Fixed Assets	3,043,214	
Liability of Customers and Others on Confirmed Credits, Guarantees, etc.	61,206,514	

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Methods and Ideas

(CONTINUED FROM PAGE 44)

ing commercial checking accounts, a system that uses both numbers and letters. The code is so devised that the checks and deposits, while sorted in numerical order, are automatically grouped into alphabetical sequence.

The code comprises the first letter of each customer's surname, together with six digits of numerical information. This provides 999,999

numbers within the range of each letter.

"Roughly," the bank explains, "the code consists of dividing the number of accounts in the bank's ledgers for each alphabetical letter into the approximate 1,000,000 numbers. This large amount of numbers in each alphabetical sequence permits a wide range of selectivity when new accounts are opened.

"To illustrate: Crocker First National has more than 2,000 accounts under 'S'. This letter happens also to carry the largest number of accounts of any single classification.

By dividing the approximately 2,000 accounts into a possible 1,000,000 numbers, there are about 500 vacant numbers between each account. This simplifies the assignment of numbers to new accounts. Of course this brief explanation is over-simplified. In actual operation, there are other important factors which must be considered.

"When a new account is opened, reference is made to a special code file and a number is assigned the account. The employee opening the account immediately stamps the assigned number on a pad of checks and gives it to the customer. A corresponding number is then stamped on the deposit ticket, deposit books, signature card and history sheet. At the same time a requisition is made out for an additional supply of checks."

Benefits to the bank, reports Crocker First, include a sharp reduction in time of handling incoming items and in errors; elimination of guesswork—operators, regardless of their experience, know how to sort all items; illegible signatures are no longer a primary problem, for the operator sorts without reference to signature. Also, missorts are virtually eliminated, never running higher than 1 percent.

Assistant Vice-president Earl J. Tooker reports that customer acceptance of the system, called "Crocker-mercial," has been "excellent."

In Brief

The FORT WORTH NATIONAL BANK has produced a booklet, "Flight of a Check," which is being widely distributed, particularly to school children. This pictorial piece shows the movement of a check cashed at a teller's window through the various departments and its eventual return with the customer's statement. Assistant Vice-president Reed Sass says the bank will be glad to send copies to interested readers of BANKING.

The NATIONAL SHAWMUT BANK of Boston is offering its customers several new checkbooks. One, cloth-bound and resembling a library volume, pictures on its cover in color the old Exchange Coffee House where the bank was founded in 1836. There are three checks to a page, with space for personal memoranda. Another, in folder form, comes in

LEVEL-UP Your Time Payments with ALLISON'S NEW PAYMENT COUPON BOOK

An increase of 30% in LEVEL payments was reported by Mr. E. L. Moffett, writing in "Time Scales Financing." He is using Allison's NEW Coupon Books, which accentuates Perforations. "We find" he writes "that having the exact amount of payment on each coupon has a marked effect on the percentage of exactly level payments received. After the system had been in operation for six months it was found that the average percentage of exact payments was 91 per cent as compared to 70 per cent prior to the use of coupons."

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navy blue for men, blue and red for women. Three other styles are available. Checks in most of the new books can be had in one of eight colors.

The NATIONAL BANK OF COMMERCE in New Orleans inaugurated its new motor bank with a week-long exhibit, "The Old and New in Banking and Business."

BANK OF AMERICA is giving copies of the Declaration of Independence to school children who visit the bank's branches with their classes. Each child's name is inscribed on the reverse side. Presentations are made by the branch managers.

At the opening of its 30th anniversary THE BANK OF VIRGINIA, Richmond, asked its staff for operating and other suggestions. It got 458 from 165 people. The \$100 first prize went to Leslie D. Austin for a suggested revision of the system for clearing returned checks in Norfolk. Prizes totaling \$801 were paid in 100 awards to 64 staff members.

The FIRST NATIONAL BANK & TRUST COMPANY of Bridgeport, Connecticut, has installed drive-in facilities that include a pneumatic tube system connecting the teller windows with major banking departments.

The FARMERS & MERCHANTS NATIONAL BANK of Logansport, Indiana, promoted its 50th anniversary open house with a full-page newspaper ad in which members of the staff—all were pictured—invited the public to the celebration. Events included a guessing contest on the life of a birthday candle.

CENTRAL NATIONAL BANK of Richmond, Virginia, had a spring party for its correspondent banks—"no forums, no tax seminars or other business sessions." Instead, the guests were taken on a tour of Richmond homes and gardens and in the evening attended the Metropolitan Opera Company's performance of "Aida."

"How Well Do You Know Your Officers?" is the title of a friendly folder distributed by the NASSAU COUNTY TRUST COMPANY of Mineola and Sea Cliff, New York. It contains a picture and informal biography of each officer.

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May 27, 1952



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New Books

P. R. Theory and Practice

PUBLIC RELATIONS. By *Edward L. Bernays*. University of Oklahoma Press, Norman, Oklahoma. 361 pp. \$5.

IN his new book Mr. Bernays draws on a third of a century of personal experience. Of particular interest to bankers is the chapter, "Typical Action Blueprint for Public Relations Activity," wherein a state bank with branches is used as an example for developing a coordinated program.

The purpose of the program is to build business and goodwill, develop branch structure, and "build up insurance values against attack."

The recommended first step is a series of three surveys: the city where the head office is located, the state, and the bank's executives.

Mr. Bernays suggests that a liaison officer be appointed to maintain contact with public relations counsel and heads of various bank departments having public relations activities. These departments should include advertising, public information, new business, research, library, economics, and certain phases of personnel. The department heads should be organized into a public relations committee.

The first line of attack is the bank staff. This is considered the most important "public" to be influenced by the bank's public relations program. Adult educational courses are suggested to indoctrinate this group in better letter writing, etc.

A planned approach to the public, through all avenues of communication, is recommended. Other "publics" to reach are present customers, potential customers, the "financial public," stockholders, group leaders, and government.

An aggressive "affirmative action" program in the community is recommended as a means of "building insurance values against attack."

Other sections of the book deal with the growth of public relations and public relations in action. Under these two main divisions is included a complete discussion of present day public relations theory and practice.

—J. B. M.

THE COOPERATIVE MOVEMENT AND SOME OF ITS PROBLEMS. By *Paul Hubert Casselman*. Philosophical Library, New York. 171 pp. \$3. The author, professor of economics at the University of Ottawa, discusses relations between cooperatives and labor, and socialism, and between consumer and producer cooperatives. Problems of cooperative education, organization and taxation are also covered.

SHARING A BUSINESS. By *Franklin J. Lunding*. Updegraff Press, Scarsdale, New York. 150 pp. \$2.75. The author, chief executive officer of Jewel Tea, Inc., presents "the case study of a Tested Management philosophy," namely, his own company's successful ideas and practices.

TAXATION AND BUSINESS CONCENTRATION. Tax Institute, Princeton, New Jersey. 258 pp. \$5. A symposium conducted by the Institute in June 1950.

HOW YOU REALLY EARN YOUR LIVING. By *Lewis H. Haney*. Prentice-Hall, Inc., New York. 271 pp. \$1.50 paper, \$3 cloth. Subtitled "Every Man's Guide to Economics," this book by a professor of economics at New York University's Graduate School of Business Administration is "an American primer of economics." There are chapters on such subjects as debt and inflation, market value, how the price system works, money, production, distribution and wages, business cycles, the high cost of government, "seven ways to lose freedom or save it." Professor Haney writes "for a generation that has yet to learn that war is not a usual condition of American life and that we cannot borrow ourselves out of debt." He seeks to answer the questions, "What is worth while?" and "How can we achieve it?"

CORPORATE TRUSTEES. By *D. M. Marsh*. Europa Publications, Ltd., London. 318 pp. 25s. "A practical account of the working of trustee departments as well as a history of their development," written by a British banker.



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Business Aids

Home Planners' Libraries • New Products • Operations • Industrial

EACH month this column will list recent acquisitions including manufacturers' literature and other special announcements of interest to our readers—though no statement made should be regarded as a product endorsement.



A new portable ELECTRIC OFFICE FOLDING MACHINE, a little larger than a typewriter is being put on the market by Pitney-Bowes, Inc., Stamford, Connecticut. This new office aid can fold with precision up to 5,000 sheets an hour making any one of eight

basic types of folds and handling a wide variety of paper sizes and weights. It feeds and stacks from the same end permitting operator to remain in one position. Termed the "Model FH," it is designed and priced to eliminate the drudgery and clerical cost of hand-folding paper forms in even the smallest business office.



NEW ADVENTURES IN DECORATING. A well-illustrated 16-page booklet containing many examples of effective use of patterned glass installations in every room in the home. Patterned glass is available in a variety of designs and booklet illustrates its use in both exterior walls and interior partitions as well as in ceiling. An interesting booklet for a bank's

home planning library. Available from Libbey-Owens-Ford Glass Company, Toledo 3, Ohio.



MULTIGRAPH METHODS FOR INSTALMENT LOAN RECORD WRITING. A 10-page bulletin outlining system for one-writing procedures in preparing coupon books, ledger cards, collateral envelopes, and file cards. The system is described in detail as it can be applied to personal FHA, insurance, and other type loans, and the cards and forms used are illustrated. Information is typed just once on duplicating master and cards, envelopes and coupons prepared consecutively in one run through duplicator. Write to Public Relations Director, Addressograph-Multigraph Corporation, Cleveland 17, Ohio.



FINANCING THE HOME. A 12-page easy-to-read booklet reviewing the many factors involved in home ownership and designed primarily for the family contemplating home ownership for the first time. Among the subjects covered are: "Necessary Outlay for Home Ownership," "How Expensive A Home Can You Afford?" "Types of Mortgage Loans," "Applying For A Loan," etc. A handy basis for discussion between the mortgage officer and prospective homeowner. Available at 10 cents for single copy from Small Home Council, University of Illinois, Urbana, Illinois.



ELECTRICAL LIVING AND HOW TO HAVE IT. An illustrated 23-page booklet full of ideas for the use of electrical appliances and lighting fixtures in the modern home. Includes suggestions for each room in the house to assure greater satisfaction in daily living. A detailed list of the wiring features to look for when buying a home is set forth. Four basic plans for financing electrical appliances when building or modernizing are offered.

A companion booklet, "Do Appliances Help House Sales" outlines results of several surveys indicating that the majority of home buyers prefer financing appliances through the package mortgage plan. Available from the Better Homes Bureau, Westinghouse Electric Corporation, Box 868, Pittsburgh 30, Pennsylvania.



JAPANESE INDUSTRY AFTER THE WAR. This 146-page booklet illustrated by charts and tables offers preliminary information on business conditions in the key industries of Japan. Among industries studied are power, coal, petroleum, steel, machinery, chemicals, glass, cement, textile, etc. It should be particularly interesting to bankers whose customers are considering Japanese investment opportunities. Concludes with a summary of postwar foreign investments in Japan. Write to the Bank of Japan, New York Office, 20 Pine Street, New York City, New York.

The OUTLOOK

and Condition of Business

(CONTINUED FROM PAGE 34)

It is a safe guess that most of us were in sailor blouses and button shoes when we first remember hearing some teacher talk importantly about the unlimited opportunities in lands to the south where the people spoke Spanish or Portuguese. Now in 1952, after civil wars, interventions, expropriations, the gamut of revolution and two and a half world wars, we were about to see the prophecy, at long last, in the full process of fulfillment on a basis of friendly collaboration.

Within a space of one week, using special planes, we managed to visit cotton ginning operations, seed mills and cellulose plants around Matamoras and Reynosa; the Falcon Dam and vast irrigation projects in the same area; glass, steel, brewing, and a variety of industries and educational projects around Monterrey. Proceeding to Mexico City we inspected the panoramic campus of the new National University, visited various electrical, fertilizer, rubber and other industries and water projects in the vicinity of the capital, flew to the oil fields and refineries of Poza Rica, then to the hydraulic plant, Miguel Aleman at Ixtapantongo, thence to the vast project under general development in the Papaloapan River Zone.

It was a compact trip, miraculously close to schedule, most of the time, and the details would fill several shelves. The ubiquitous reporters were never disappointed because the travelers from the United States had impressions and plenty of them. The prevailing impression was one of amazement at the inexhaustible zeal of the Mexican in showing what had been done and what was going to be accomplished very soon. *Manana* and *siesta* are two words of the language familiar to most Americans as characteristic of Mexico, but the footsore visitors did not see a *siesta* the entire trip and the word *manana* was used only in connection with big plans for the future.

Many of the plants are more modern in construction and equipment than are usually found in this country because, while much of the material is imported from

Part of University City, site of the new National University. One of the stadiums, among the largest in the world, is shown



us, the work is of such recent vintage that it has the very latest in structural design and machinery.

Humility is not a common characteristic of United States citizens but a visit to the Ciudad Universitaria, University City, outside the capital, is recommended to anyone burdened with the illusion that our own country has a monopoly on vision, imagination and a knack for doing things in a big way. Hundreds of leading Mexicans have had a part in this extraordinary venture in cultural and human advancement, but three persons in particular have furnished a large part of the driving force back of it. They are President Aleman, President Carlos Novoa of the Banco de Mexico, host to the party, and the noted architect, Carlos Lazo.

The project is a city in itself with stores, theaters, stadiums, and the most modern of college buildings, and it will provide complete educational and recreational facilities for more than 30,000 students. Smaller, but equally impressive in design and far-sighted planning, is the Technical Institute at Monterrey, which will provide the country with a supply of 800 to 900 trained graduates yearly. Even more important than the machines are the brains to make and run them and this is something that the leaders of the Mexican renaissance know.

In Mexico there is still much poverty and much to be done on the human side in raising the living level of the populace. This very fact has been a challenge to industrialists, and the way they are meeting it is a story in itself. Because of these special conditions we find instances of industries providing social benefits of every kind to workers on a scale that could not be duplicated in the United States. The brewery, Cerveceria Cuauhtemoc at Monterrey, is a case in point. The workers and their families are privileged to eat in a huge restaurant which serves 8,000 to 10,000 meals daily from spotless kitchens. The cost to employees is a few cents per meal. The plant provides stores, schools for special instruction, a huge park with several pools and every kind of recreational facility, gymnasiums, a huge outdoor theater, medical care, financial aid and homes which can be purchased on astonishingly low terms.

While this is an outstanding example, it is by no means unique. Health, loyalty, happier family life, less turnover and absenteeism are just a few of the dividends.

It was the Papaloapan project, however, that dwarfed in size and concept all other places covered in the tour. Probably in all of Latin America there is no regional development program of comparable magnitude. Geographically the basin of the river Papaloapan comprises 17,582 square miles in the states of Vera Cruz, Oaxaca and Puebla. Time after time in years past the river has been a source of catastrophic floods.

When President Aleman was a candidate he promised to do something about it and work was started in 1947. Now it is possible to see the vast project comprising flood-control, power, and irrigation well along toward completion.

For the million or more inhabitants of the region it is far more than an economic program. It is a matter of life and death. Already the malaria rate has been reduced from 30 percent to less than 1 percent

and typhoid and diphtheria from 70 percent to 10 percent. The populace is being taught how to live better, build better homes, grow better products and raise healthier families. New experimental stations are developing cotton production, high oil-content cocoanuts, yams, and other food.

New urban centers will be erected through the area, including the Ciudad Alemán, which is expected to have a population of 50,000 in a few years.

Cost figures are hard to obtain because much of the outlay is from year to year as parts of the project are completed. The total job, including dams, storage basins, hydro-electric plants, irrigation canals, wharfs, dredging, warehouses, and other construction, will probably approach \$100,000,000 compared with \$850,000,000 spent on the somewhat larger Tennessee Valley Project since 1933 when it was started.

III

A recently compiled list of United States companies with manufacturing branches, subsidiaries or affiliates in Mexico contained more than 150 names and it was not a complete list. Included were the following representative concerns:

Electric Bond and Share Co.	American Home Products Corp.
Abbott Laboratories International Co.	Minneapolis Honeywell Regulator Co.
Mohawk Carpet Mills	International Business Machines
Allis-Chalmers Manufacturing Co.	Westinghouse Electric International Co.
American Airlines, Inc.	Ingersoll-Rand Co.
Eastman Kodak Ltd.	International Harvester Co.
American Smelting & Refining Co.	Johns-Manville de Mexico, S. A.
Anderson Clayton & Co., Inc.	Johnson & Johnson Inc.
Bristol Myers Co.	United Air Lines
Celanese Corporation of America	Metro-Goldwyn-Mayer Corporation
Colgate-Palmolive-Peet Co.	Twentieth Century Fox-International Corp.
Burroughs Adding Machine Co.	Monsanto Chemical Co.
General Tire & Rubber Co.	Union Carbide & Carbon Corp.
International B. F. Goodrich Co.	The National Cash Register Co.
Goodyear Tire & Rubber Co.	Philco International Corp. (& Philco Corp.)
The American Foreign Power Co.	Procter & Gamble Co.
Pan American World Airways	R.C.A. Victor Corporation
E. I. du Pont de Nemours & Co., Inc.	Remington Rand, Inc.
The Sherwin-Williams Co.	Sears Roebuck & Co.
Singer Sewing Machine Co.	Sharp & Dohme, Inc.
Eastern Air Lines	E. R. Squibb & Sons, International Corporation
Otis Elevator Co.	Sterling Drug Corporation
Continental Can Co., Inc.	The Texas Company
General Shoe Corp.	J. Walter Thompson Co.
Fairbanks, Morse & Co.	Wells Fargo & Company Express
Ford Motor International Co.	Young & Rubicam

There are many different relationships between parent company and its Mexican offspring. Assume that X Company, now exporting to Mexico, wants to establish a plant in Mexico. The first thing to do is look for a group of sound, reputable business people in Mexico, preferably familiar with the products to be manufactured.

A plan is then worked out whereby the U. S. com-

pany puts up a certain amount of money and agrees to provide management know-how at least for the initial stages. The Mexicans do likewise, with perhaps a sale of stock publicly. There have been instances where preferred stock has been issued and retired out of profits. This part of the operation depends entirely on what the market will take.

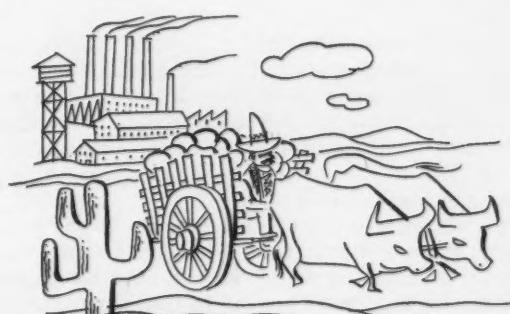
Care must be observed with the legal requirements of Mexico, and the approval of the Mexican authorities is essential every step of the way. Included in the customary arrangement is a technical contract for assistance and trained personnel which the Mexican concern pays for. Usually the management of the affiliate is Mexican although the parent concern may frequently have a director on the board or some other contact, whatever the particular situation requires.

In view of the fact that United States know-how in most instances is much more complete, the technical contract should be for a long-term—15 years or more. Experience has shown that it is a mistake in these deals to drop the pilot too soon.

Mexican law requires that ownership of affiliates should be 51 percent Mexican, although affiliates can be wholly owned by the American parent under an agreement whereby the stockholders accept Mexican citizenship for the purpose and agree not to call on the U. S. Government for assistance in any disputes. In any case the fact should not be overlooked that a U. S. company should be adequately compensated for giving up its distribution rights and providing the financial and personal wherewithal for the whole operation.

An important question is whether to permit a well known American brand name to be used on the foreign manufactured product. If this permission is granted it should be made certain beforehand that it will be possible to get a cease and desist order. The reason is that, while the United States company can supply advice and know-how, it cannot fully guarantee the quality of the product unless it is in complete control of the management. Local management might be tempted to adopt certain shortcuts resulting in an inferior product, so that if the United States brand name is being used the American parent is in the position of having responsibility without authority.

United States concerns have been "Point Fouring" for many years in their relations abroad, long before Point Four was ever heard of. Actually, the practices of foreign aid fostered by Washington in recent years have hindered private business in its plans for foreign in-





Mr. Hemingway (wearing light suit and dark tie and standing at foot of stairs), with other members of the party, listening while Manager Byrnes of the Anderson Clayton plant at Monterrey explains their operations

vestment by creating a hand-out psychology. When the Mutual Security Administration speaks of furnishing know-how to foreign areas, it usually means guidance toward better agricultural methods, better sanitation and the like. The technical facts about particular machines and processes are valuable property in the eyes of business, and not give-away items.

The matter of competition between the parent and its offspring is one that is still to be settled. The Supreme Court says, in effect, that an American corporation's foreign subsidiary may sell in the United States in competition with its parent. In the case of Timken Roller Bearing Company v. U. S., 71 S. Ct. 971, decided June 4, 1951, the court held that an American company holding a large minority interest and, apparently, a controlling one, in similar British and French concerns violated the Sherman Anti-Trust Act in agreeing with the other concerns to allocate trade territories, fix prices of products of one sold in the territory of another, and restrict imports to and exports from the United States. Justice Jackson, in a dissenting opinion, interpreted the decision as applying to foreign commerce the doctrine that foreign subsidiaries organized by an American corporation are "separate persons" and any arrangement between them and the parent corporation to do that which is legal for the parent alone is an unlawful conspiracy.

Mexico has a well integrated banking system and chambers of commerce in cities throughout the country which serve as sources of credit and other information. Income taxes are low compared to the United States and labor conditions are good. Probably the greatest need of the moment is better transportation, including roads and railroads.

There are more than 100 deposit banks in the country with about 250 branches. Other kinds of financial institutions include savings banks, finance companies, mortgage banks, capitalization banks, trust institutions and savings and building and loan institutions.

There is not much of a public market for equities, so industry must finance itself either through loans or a reinvestment of profits. There are several governmental banking institutions, including the Banco de Mexico, a bank for loans for municipal improvements and housing projects, two banks for financing agriculture and livestock, a foreign trade bank and an agency somewhat like our own RFC.

IV

Relations between Mexican and United States bankers have been growing increasingly cordial. At the Guadalajara meeting last year foreign attendance was more than 50, including some from Central and South American countries. Secretary John Snyder was one of the guests. This year President Cocke of the American Bankers Association, which has many members among the leading Mexican banks, addressed the convention at Ciudad Juarez, across the border from El Paso.

"I am convinced," President Cocke told the Mexican bankers, "that without encouragement for capital your country would not have moved as far along the road to the achievement of a balanced industrial and agricultural economy. A country that seeks to become industrialized must attract new capital, from within its own borders as well as from abroad. I believe that the wisdom your country has displayed in refusing to fetter your international financial relationships with exchange restrictions, for example, could well serve as a lesson for many other nations that would like to attract new capital for industrial development. Foreign cooperation can greatly help in these matters, but the atmosphere must be one in which reassurance is given that capital can fill its function of providing the basis for profitable production. The sooner the nations of the world abolish the restrictions upon free interchange among the members of the business community, the closer we shall be to a more efficient use of the human material resources of the world."

Juan M. O. Monasterio, chairman of the executive committee of Banco Comercial Mexicano, S. A., and formerly vice-president of the Mercantile Trust Company of St. Louis, was one of the group of Mexican hosts.

He said that the trip had opened even his eyes a little to the progress being made in Mexico and the interesting possibilities. "I was inclined to be rather pessimistic recently," he said, "as to the imminent prospect of a readjustment after our long period of expansion. It seemed to me that world conditions, and particularly those in the United States, indicated a setback, and of course we would be affected. However, after seeing all of these operations and plans for the future, I feel very hopeful. There may be some kind of a readjustment but it will be a sound one. We make mistakes, such as over-optimism, too much red tape and the like, just as you do in the United States. We have splendid collaboration between government, labor and capital.

"Mexico has a balanced budget, even a surplus. Our Government credit is good and we are meeting our obligations on schedule. Couple that with opportunities and a spirit of enterprise and I think that you have all the elements of a sound economy."

WILLIAM R. KUHNS

BANKING

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